

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 16, 1989, at 3:45 p.m.

ROLL CALL

Members Present: All members were present.

Members Excused: None

Members Absent: None

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

Discussion:

Rep. Eudaily presented a list of proposals. (See Exhibit 1.)

Rep. Kadas asked Rep. Eudaily if he knew how much it was going to cost? Rep. Eudaily stated that he has the figures for the 85% equalization level and that is what he has put on the motion.

Rep. Schye asked that on No. 6 of Exhibit 1, if the cap at 120% is above the 85%. Rep. Eudaily stated that the 85% would represent 100% funding of the schedules and the cap would be 120% above the schedules.

Rep. Schye asked that since the cap would be effective upon the effective date of the bill, in the second year of the biennium, would districts be frozen? Would they then have to come down in future years? Rep. Eudaily stated that this doesn't provide for that.

Rep. Schye asked how many school districts are affected by this cap? Rep. Eudaily stated that he hasn't any figures on that, but 40% of the districts may be affected.

Rep. Kadas stated that he doesn't see how the committee can send a bill out without any funding. He said this proposal is \$64 million short.

Rep. Kadas presented a chart showing the expenditure base to be equalized from the school district trustee reports for FY 88. (See Exhibit 2.)

Rep. Kadas stated that if you are going to meet the federal test for equalizing PL 874 money, you've got to equalize at least 90% of districts' expenditures.

Rep. Gilbert presented a list of proposals. (See Exhibit 3.)

Rep. Glaser presented printouts. (See Exhibits 4 and 5.)

Rep. Kadas stated that if you set the cap at 25% above the schedules which are 85% of the FY 88 expenditures, the cap is really 106% of the FY 88 expenditures for the item included in the base.

Motion:

Rep. Eudaily moved the first 19 items. (See Exhibit 1.)

Rep. Kadas requested that the committee examine each item separately, acknowledging that some items were already taken care of by previous action.

Amendments:

Rep. Kadas moved to include retirement, social security, and unemployment insurance costs associated with special education salaries as special education allowable costs to be reimbursed by OPI.

Votes:

The motion passed unanimously with all members voting aye.

Amendments:

Rep. Kadas moved to amend gray bill to exclude PL 874 expenditures from any cap on maximum general fund budget until such time as the system is approved by the Secretary of E. education as meeting federal wealth neutrality test.

Votes:

The motion passed unanimously with all members voting aye.

Amendments:

Rep. Kadas moved to amend the gray bill to limit general fund cash reserves for districts receiving more than 25% of their total general fund budget (TGFB) from state equalization aid to 20% of their ensuing SFY general fund budget, districts receiving 25% or less of their TGFB from state equalization aid to 30% of ensuing SFY general fund budget, and schools receiving no state equalization aid to 35% of ensuing SFY general fund budget.

Votes:

The motion passed unanimously with all members voting aye, except for Rep. Grinde.

Amendments:

Rep. Kadas moved to increase category 8 elementary districts' schedule funding by 9% and require that any cap be based on the foundation program amount.

Votes:

The motion passed unanimously with all members voting aye.

Amendments:

Rep. Kadas moved to amend the gray bill to change ANB calculation method to an enrollment amount.

Discussion:

Rep. Kadas stated that this is a simple, more accurate way of counting students in the districts.

Votes:

The motion failed 5-3.

Amendments:

Rep. Kadas moved to fully fund transportation schedule reimbursement in same manner that the county portion of elementary transportation is currently funded, to place transportation into the general fund, and eliminate the transportation fund and levy.

Discussion:

Rep. Kadas stated that there won't be a state payment but, the district would get money from the mandatory basic mills that it levies.

Rep. Glaser asked whether the allowable costs would be shown as a separate item in the general fund expenditures? Rep. Kadas said that we should put it in the general fund but districts may not spend it all on transportation.

Rep. Eudaily asked if the \$17 million would be distributed in the schedules? Rep. Kadas said no, it is distributed according to the transportation schedules.

Rep. Eudaily stated that the districts would have no ability to levy anything but the voted levy to increase the transportation costs or they could take it from their other programs.

Motion Withdrawn:

Rep. Kadas withdrew his motion.

Amendments:

Rep. Schye moved to delete tuition amendments from the gray bill.

Votes:

The motion passed 5-2 with Rep. Peck voting nay and Rep. Glaser voting nay.

Amendments:

Rep. Kadas moved to amend the gray bill to only include retirement and comprehensive insurance in the district general fund and leave all other school funds as in current law, to eliminate the current county retirement levy and comprehensive insurance levy, to delete the state retirement levy proposed in the gray bill, and to require transfer of

any balance in a district's retirement fund to its general fund.

Votes:

The motion passed unanimously.

Amendments:

Rep. Eudaily moved to amend the gray bill to include retirement in the foundation program schedules and delete the requirement for OPI to direct pay district contributions for retirement, social security, and unemployment insurance.

Discussion:

Rep. Kadas stated that he doesn't want to put retirement into the schedules until he sees how other things pan out. Also he wants Greg Groepper, OPI, to respond about having OPI make the direct payments.

Mr. Groepper stated that the state would withhold from the schedule any PERS or teachers' retirement, UI and FICA, and OPI would make the payment to those funds. They could hold back the foundation program distribution that would equal the amount of the employers' contribution and send that to the various retirement programs and federal government. The money would be in the funds quicker to draw interest, it would cut down the cost for PERS and teachers retirement for handling all of the paper work.

Rep. Eudaily stated that the money is available so it must be drawing interest somewhere and who will get the interest on this. Mr. Groepper stated that when OPI makes the foundation program payments they make them five times a year, up until OPI makes the payment, the money draws interest in the general fund. When OPI makes the payment and until the check clears the state of Montana, it draws interest into the general fund.

Rep. Glaser stated that there is about \$35 million per year of social security money that would no longer go to the local banks.

Rep. Kadas asked how would OPI deal with districts that don't receive any foundation payments? Mr. Groepper stated that whether or not you receive a foundation payment will depend on how the committee ends up funding this.

Votes:

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

ADJOURNMENT

Adjournment At: 5:40 p.m.



REP. Ray Peck, Chairman

RP/jf

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DAILY ROLL CALL
 SELECT COMMITTEE ON EDUCATION FUNDING

DATE 3-16-89

NAME	PRESENT	ABSENT	EXCUSED
Chairman Peck	X		
Vice Chairman Eudaily	X		
Rep. Gilbert	X		
Rep. Glaser	X		
Rep. Grinde	X		
Rep. Harrington	X		
Rep. Kadas	X		
Rep. Schye	X		

School Funding Proposal
Representative Eudaily
March 16, 1989

Motions:

1. Amend the gray bill to only include retirement and comprehensive insurance in the district general fund, and leave all other school funds as in current law. Eliminate the current county retirement levy and comprehensive insurance levy, and delete the state retirement levy proposed in the gray bill. Require transfer of any balance in a district's retirement fund to its general fund.
2. Amend the gray bill to include retirement in the foundation program schedules and delete the requirement for OPI to direct pay district contributions for retirement, social security, and unemployment insurance.
3. Include comprehensive insurance in the foundation program schedules (as provided in the gray bill).
4. Amend the gray bill to reinstate tuition. (Leave tuition as provided in current law.)
5. Amend the gray bill to adjust foundation program schedules for school fiscal year 1990-1991 to provide funding equal to 85% of total 1988 general fund expenditures (not including special education) plus retirement and comprehensive insurance.
6. Amend the gray bill to provide cap on maximum general fund budget at 120% (rather than 117%) of foundation program. The cap would be effective upon the effective date of the bill. Districts then currently above the cap would be frozen, but would not have to reduce budgets.
7. Eliminate the 10-mill permissive levy (as provided in the gray bill).
8. Lottery revenue would be reallocated to state equalization aid (as provided in gray bill).
9. (Glaser motion on 3-7-89 raised county elementary levy to 60 mills and county high school levy to 40 mills).
10. Expenditures using PL 874 money would not be subject to cap on maximum general fund budget, until such time as the system is approved by secretary of education as meeting federal wealth neutrality test.
11. Amend the gray bill to delete the 20% limit on the general fund cash reserve. (Leave at 35% as in current law.)
12. No motion - leave schedule categories as currently defined, but include for study in separate bill.

	Current law	SB 203 (introduced)	SB 203 (gray)	SB 203 (3rd reading)
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 FY 91
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 FY 91	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

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|-----|--|--|--------------------|--|
| 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. ed. salaries (\$6 million increased state funding proposed for FY 90 and 91 in separate bill) |
| 18. | Elementary and high school districts may be separate | 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 |

OFFICE OF THE LEGISLATIVE AUDITOR
 FY '90 REVENUES USED IN FINANCING PROPOSAL FOR FOUNDATION PAYMENT
 REVENUE SOURCE: HJR NO. 13 90% FY89 SCHEDULE ADJUSTMENT 1.56

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AMOUNT OF BASE EXPENDITURES EQUALIZED \$435,827,045

AVAILABLE REVENUE SOURCES:

INCOME TAX	\$81,604,000
CORPORATE LICENCE TAX	\$11,692,000
U.S. OIL & GAS ROYALTIES	\$17,119,000
INTEREST & INCOME	\$33,699,000
COAL TAX	\$2,010,000
EDUCATION TRUST	\$1,564,000
COUNTY REVENUES LESS MANDATORY LEVY	\$3,926,000
DISTRICT REVENUES LESS PERM. LEVY	\$1,410,000
LOTTERY REVENUE	\$4,000,000

TOTAL REVENUE SOURCES \$157,024,000

DIFFERENCE \$278,803,045
 LESS AMOUNT FUNDED BY STATEWIDE 100 MILLS \$190,300,800

AMOUNT NOT FUNDED BY 100 MILLS \$88,502,245

ADDITIONAL MILLS NEEDED TO COVER 90% OF EXPENDITURES 46.51

	FOUNDATION PROGRAM
GENERAL FUND	\$445,363,847
RETIREMENT FUND	\$52,724,066
COMP. INSURANCE	\$10,620,110
	\$508,708,023
LESS SPECIAL ED	\$24,455,751
BASE FOUNDATION	\$484,252,272
HJR-13 REVENUE ESTIMATE	\$255,786,000
LOTTERY REVENUE	\$4,000,000
LESS MANDATORY MILLS	\$65,635,000
LESS PERMISSIVE LEVY	\$17,127,000
TOTAL AVAILABLE	\$157,024,000

DIFFERENCE

FY '90 STATEWIDE TAXABLE VALUATION \$1,903,008,000

*SPECIAL EDUCATION IN THE RETIREMENT FUND IS AN ESTIMATE BASED ON DISCUSSION WITH OPI PERSONNEL

**SUM OF P.L. 81-874 (\$17,932,355) AND FY89 BUDGETED SPECIAL EDUCATION (\$24,455,751)

School Funding Proposal
16-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

Direct State Appropriation	
Allowable Special Education Costs	\$35.020
Allowable Transportation Costs	17.821

Total Direct Appropriation \$52.841

P.L. 874 Expenditures † 18.901

Foundation and Retirement \$467.778
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Equalization Mechanism	
80 % equalized through schedules & retirement	\$374.222
10 % equalized through permissive	46.778

Total Foundation and Permissive \$421.000
=====

School Funding Proposal
16-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
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Total Expenditure Base	\$539.520

Direct State Appropriation	
Allowable Special Education Costs	\$35.020
Allowable Transportation Costs	17.821

Total Direct Appropriation	\$52.841
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P.L. 874 Expenditures	<u>18.901</u>
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Foundation and Retirement	<u>\$467.778</u>
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Equalization Mechanism	
90 % equalized through schedules & retirement	\$421.000
No permissive	0.000

Total Foundation	<u>\$421.000</u>
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School Funding Proposal

March 16, 1989

MOTION:

1. Equalize 85 percent of the fiscal 1988 expenditure base (excluding PL 874 expenditures) through the foundation schedules.
2. Provide a 9 percent increase in funding for category 8 of the elementary schedules (ANB of more than 300). This category would be increased by 1.8018 and the other elementary and high school size categories would be increased by 1.653.
3. Tie cap to foundation program schedule funding at 25 percent above the schedules as funded at 85 percent of 1988 base.

OFFICE OF THE LEGISLATIVE AUDITOR
 SCHEDULE OF COMPARISONS
 FOR STATEWIDE 100 MILL LEVY
 SOURCE: OPI DATABASE (UNAUDITED)

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COUNTY	DISTRICT	DISTRICT	CENSUS	1984-89		1988-89		1989-89		NEW SCHEDULES	NEW SCHEDULES	ADDITIONAL MILLS NEEDED TO COVER '88	ADDITIONAL MILLS PLUS STATEWIDE 100 MILLS H.S.-38 ELEM-62	OLD MILLS MINUS NEW MILLS
				TRAFFIC	VALUABLE	TOTAL '88	EXCESS	LESS	TOTAL					
BEAVERHEAD	411	913,174,656	91,603,154	65.28	2	14	9453,483	91,410,912	91,199,275	9403,879	30.75	68.75	-3.47	
BEAVERHEAD	975	19,381,353	92,511,475	116.62	1	8	91,550,012	92,603,785	92,303,217	9128,259	13.67	73.67	40.95	
BEAVERHEAD	23	983,147	664,328	53.96	1	5	945,094	92,811	970,389	90	0.00	62.00	-6.04	
BEAVERHEAD	20	663,181	660,212	63.04	1	5	945,345	974,961	963,717	90	0.00	62.00	1.04	
BEAVERHEAD	82	91,615,335	927,261	73.20	1	6	9175,368	9289,505	9246,419	110,841	6.71	68.71	4.49	
BEAVERHEAD	40	91,615,335	9214,670	43.68	2	10	9175,740	9290,520	9246,942	90	0.00	38.00	5.68	
BEAVERHEAD	5	923,333	924,143	57.28	1	1	910,079	916,668	914,163	99,981	30.87	92.87	-35.59	
BEAVERHEAD	20	945,094	951,981	74.66	1	5	945,345	974,961	963,717	90	0.00	62.00	12.66	
BEAVERHEAD	39	993,107	987,274	67.11	1	5	955,370	991,533	977,883	18,556	18.56	86.56	-11.43	
BEAVERHEAD	33	663,154	973,062	58.49	1	5	952,204	986,300	971,355	90	0.00	62.00	-31.37	
BIG HORN	2	927,424	925,211	38.63	1	1	920,138	933,324	928,325	90	0.00	62.00	-31.37	
BIG HORN	23	91,453,643	967,106	47.51	1	5	946,928	977,578	965,941	91,163	0.80	62.80	-15.29	
BIG HORN	1062	913,531,325	93,140,774	45.02	1	8	91,756,046	93,167,830	92,632,656	33,12	33.12	95.12	-50.10	
BIG HORN	140	915,256,602	91,265,143	53.52	2	14	9406,090	91,501,104	91,276,006	289,136	18.95	56.95	-3.43	
BIG HORN	17	91,522,240	91,083,101	55.26	2	8	9606,879	91,093,537	939,507	933,995	92.36	154.36	-99.70	
BIG HORN	17	989,599,312	932,144	28.34	2	12	9382,144	9632,062	937,253	2,38	2.38	40.38	-12.04	
BIG HORN	64	962,989	9609,87	33.08	2	11	9321,325	9394,063	926,454	637,043	452.88	490.88	-47.80	
BIG HORN	21	962,989	9338,660	33.80	1	6	9157,323	9260,409	9221,347	917,513	508.03	570.03	-36.23	
BIG HORN	10	987,006,648	940,059	34.03	1	2	921,001	934,716	929,509	910,550	0.12	62.12	-28.09	
BIG HORN	72	950,424	9727,232	50.51	1	6	9154,254	9281,613	9222,371	9594,861	593.66	655.66	-605.15	
BLAINE	28	95,280,451	964,634	44.49	1	5	963,002	9104,149	988,527	90	0.00	62.00	-17.51	
BLAINE	223	911,719,532	91,003,586	81.41	1	8	9533,982	982,203	987,872	9185,714	15.85	77.85	3.56	
BLAINE	30	923,639,332	926,820	46.20	2	12	9435,300	9752,567	9639,767	9187,053	7.91	45.91	0.29	
BLAINE	14	92,572,370	944,884	45.21	1	3	942,001	959,433	929,018	90	0.00	62.00	-16.79	
BLAINE	5	939,015	920,610	46.33	1	1	920,158	931,324	928,325	90	0.00	62.00	-15.67	
BLAINE	412	92,632,236	91,281,557	55.21	1	8	9662,185	91,193,193	91,014,214	90	0.00	62.00	-108.24	
BLAINE	146	95,140,744	9718,694	29.36	2	12	9372,442	9615,692	9523,338	9287,342	101.45	123.45	-16.44	
BLAINE	194	987,829	9540,117	42.33	1	7	9310,977	9514,084	9436,845	9103,146	1174.40	1236.40	-1194.07	
BLAINE	57	987,829	9508,924	23.82	2	11	9239,009	9395,112	9355,845	9173,079	1970.63	2008.63	-1982.81	
BLAINE	16	91,562,297	921,631	43.72	1	2	921,001	934,716	929,509	90	0.00	62.00	-18.28	
BLAINE	4	987,829	935,705	80.22	1	1	930,158	933,324	928,325	97,380	89.38	151.38	-71.07	
BLAINE	78	91,730,043	9308,336	105.07	1	6	9171,912	9281,363	9240,861	90	0.00	62.00	-19.97	
BLAINE	33	94,964,749	9300,024	89.72	2	10	9151,015	9245,645	9212,199	90	0.00	62.00	-14.47	
BLAINE	64	94,192,611	9125,519	47.33	1	6	9124,451	9202,427	9172,063	90	0.00	62.00	-14.47	
BROADWATER	242	910,772,948	9799,018	48.50	2	13	9548,517	9906,766	9770,751	928,266	2.62	62.00	-6.89	
BROADWATER	0	9656,736	943,969	59.26	1	0	921,843	935,109	930,693	90	0.00	62.00	-23.44	
BROADWATER	11	9711,278	91,017,409	59.23	1	8	9787,078	91,418,239	91,205,504	913,276	17.21	79.21	-19.97	
BROADWATER	190	99,430,652	9480,599	56.94	1	2	9229,067	9378,676	9321,875	90	0.00	62.00	-11.22	
CARBON	176	99,830,652	9371,912	62.75	2	11	9194,925	9322,235	9271,900	158,824	16.16	76.16	-21.22	
CARBON	46	93,630,652	933,082	36.91	1	5	944,290	973,217	962,234	90	0.00	62.00	0.95	
CARBON	12	94,365,001	9612,762	69.28	1	5	9308,957	9510,744	9434,132	90	0.00	62.00	-15.64	
CARBON	157	94,365,001	9557,913	69.56	2	11	9366,008	9443,050	9376,993	9178,630	40.92	102.92	-10.88	
CARBON	30	94,365,001	949,804	77.88	1	5	946,400	976,706	965,200	919,604	23.79	87.79	-9.91	
CARBON	22	91,033,191	9342,273	58.21	1	7	9247,498	9409,143	9347,773	90	0.00	62.00	-3.79	

ROLL CALL VOTE

SELECT COMMITTEE ON EDUCATION FUNDING

DATE 3-16-89 BILL NO. SB 203 NUMBER 1

NAME	AYE	NAY
Vice Chairman Eudaily	X	
Rep. Gilbert	X	
Rep. Glaser	X	
Rep. Grinde	X	
Rep. Harrington		X
Rep. Kadas		X
Rep. Schye		X
Chairman Peck		X

TALLY 4 4

Janne Lynn
Secretary

Ray Peck
Chairman

MOTION: Rep. Eudaily moved to amend the gray bill to include retire-
ment in the foundation program schedules and delete the
requirement for OPI to direct pay district contributions
for retirement, social security, and unemployment insurance