

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on March 22, 1989, at 8:30 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 on Protested Taxes Item.

Jim Gillette, Legislative Auditors Office, presented a chart to show the committee how protested taxes are handled under the present school funding system. He stated that the amendments would try to provide a system that delivers equalized funding for every district. (See Exhibit 1.)

#### Discussion.

Rep. Peck went over Exhibit 1.

#### Motion:

Rep. Kadas moved to exempt all school levies from I-105. (See Exhibit 1, Item 1.)

#### Votes:

The motion passed unanimously with all members voting aye.

The committee agreed to require transfer of any district balance in its comprehensive insurance fund to the district general fund, as previously moved for the retirement fund balance.

Madalyn Quinlan presented Exhibit 2.

#### Motion:

Rep. Harrington moved to adjust the foundation program schedules to reflect different expenditure patterns for elementary and high school districts (as was provided in SB 203 as introduced). The LFA is to determine the appropriate factors. (See Exhibit 1, Item 3.)

#### Votes:

The motion passed unanimously with all members voting aye.

The committee agreed that the March 17 motion by Rep. Glaser to

fund retirement at 100% of 1988 expenditures would mean that amount is combined with 90% of 1988 expenditures of the other components to be equalized, and the total would determine the schedule increases. Retirement would not be distributed through a separate "schedule" or calculation.

Motion:

Rep. Kadas moved to clarify that the 130% general fund budget limitation applied to the foundation program, including the schedule portion and special education portion.

Votes:

The motion passed with all members voting aye except for Rep. Eudaily.

Motion:

Rep. Harrington moved to clarify that FY 1989 be used for determining a district's expenditure level for purpose of determining whether it will be "grandfathered" from the cap on maximum general fund budgets.

Votes:

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

Motion:

Rep. Kadas moved to use FY 1988 expenditure level for purpose of determining whether it will be "grandfathered" from the cap on maximum general fund budgets.

Votes:

The motion failed with all members voting aye except for Rep. Harrington.

Motion:

Rep. Kadas moved that FY 1988 transportation expenditures are to be used for determining the cap on transportation fund budgets. Districts may not exceed 1988 expenditure level when determining total transportation fund budget (100% state reimbursed schedule amount plus desired over-schedule amount). (See Exhibit 1, Item 6).

Votes:

The motion passed unanimously with all members voting aye.

Motion:

Rep. Kadas moved to delete provision in 20-9-343 that requires state equalization aid to be appropriated in a single sum. (See Exhibit 1, Item 7).

Votes:

The motion passed unanimously with all members voting aye.

The committee agreed to include a \$11,568,000 transportation appropriation in SB 203 for funding 100% of transportation schedules -- other \$6.2 million is in HB 100.

The committee agreed to include \$4,300,000 appropriation for special education retirement costs -- rest of special education appropriation is in HB 100.

Motion:

Rep. Eudaily moved to rescind motion of March 10 to fund Yellowstone Treatment Center school district through budget process (since tuition will now continue under the bill).

Votes:

The motion passed unanimously with six members voting aye.

Andrea Merrill presented Exhibit 3 to the committee regarding a legislative oversight committee.

Motion:

Rep. Schye moved to add a legislative oversight committee to SB 203, along with a \$20,00 appropriation for conducting oversight of implementation and various studies during interim.

Votes:

The motion passed unanimously with all members voting aye.

Mr. Groepper presented the Grinde amendments. (See Exhibit 1, item "C").

Motion:

Rep. Kadas moved to collect 55 mills at county level and remaining 45 mills as a statewide levy (levies to be divided appropriately for elementary and high schools).

Votes:

The motion passed with all members voting aye.

Motion:

Rep. Grinde moved to require districts to use GAAP accounting and to require OPI to adopt appropriate rules and offer training for districts. Intent to be clear in statement of intent. Appropriation to OPI for this to be reviewed by Chairman and Vice Chairman before adding to bill. Effective July 1, 1989 so OPI can begin training and rulemaking.

Votes:

The motion passed unanimously with all members voting aye.

Motion:

Rep. Harrington moved to add to the statement of intent the rationale behind the equalization plan in SB 203, especially that the schedule increase reflects funding 100% of 1988 retirement expenditures and 90% of district general fund and

Votes:

The motion passed unanimously with all members voting aye.

Motion:

Rep. Kadas moved to add amendment suggested by Rep. Cobb to provide state equalization aid for any temporary deficiencies in county equalization collections due to delinquent or protested taxes.

Votes:

The motion passed with all members voting aye.

Motion:

Rep. Kadas moved to include in statement of intent that OPI may seek supplemental appropriation if state equalization aid revenue is short at end of biennium due to delinquent or protested taxes.

Votes:

The motion passed with all members voting aye.

Motion:

Rep. Schye moved that the LFA, OLA, and OPI coordinate any fiscal analysis of the plan to be sure they are using consistent data and providing consistent information.

Votes:

The motion passed with all members voting aye.

Motion:

Rep. Kadas moved to table HB 575.

Votes:


The motion passed with all members voting aye.

Discussion:

Rep. Schye commented that he would ask House to re-refer SB 203 to House Education Committee for hearing. If motion fails, Chairman Peck will schedule joint hearing with the House Education Committee for Tuesday, March 29, 1989.

ADJOURNMENT

Adjournment At: 10:30 p.m.

  
\_\_\_\_\_  
REP. Ray Peck, Chairman

RP/jf

6604.min

DATE 3-22-89

Form CS-30A  
Rev. 1985

House Select Committee on Education

Matters for further consideration concerning SB 203:

Staff:

- (1) Should I-105 be amended to except additional voted levies as well as the basic elementary and high school levy? 6-1
- (2) Any balance in a district's comprehensive insurance should be required to be transferred to the district's general fund. 6-1
- (3) Should the adjustment of the foundation program schedules reflect different expenditure patterns for elementary and high school districts (as provided in SB 203 as introduced)?
- (4) Clarify method of calculating and distributing retirement under Rep. Glaser's motion. Is a separate percentage calculation of each category amount required, reflecting the retirement expenditure pattern of districts in the category, to determine the retirement distribution for districts in the category?
- (5) Clarify whether the cap on maximum general fund budget is based on total foundation program, or just the schedule component of the foundation program. 6-1
- (6) Clarify what will be the fiscal year to be used for determining a district's expenditure level for purpose of determining whether it will be "grandfathered" from the cap on maximum general fund budget? 6-1
- (7) Clarify the fiscal year which will be used for determining the transportation cap (probably should be the same year as determined in item 7). 7-0
- (8) Section 20-9-343(2) requires that the legislative appropriation for state equalization aid be made in a single sum for the biennium. Strictly construed, this would prevent separate appropriation measures such as HB 618 for the first year of a biennium, and SB 203 for the second year of a biennium. The requirement seems to be unnecessarily restrictive. (Recommended amendment attached) 7-0
- (9) Should the additional transportation appropriation required to fully fund the transportation schedules appear in SB 203? (See attached appropriation provision) 7-0
- (10) Should the additional special education appropriation required to fund special education retirement appear in SB 203? 7-0
- (11) Clarify status of motion adopted on 3-10-89 to provide a special appropriation for the Yellowstone Treatment Center. 6-0
- (12) Study issues: Transportation, tuition, schedule structure, capital outlay. How should a formal study or oversight committee be structured? (See attached study proposal by Rep. Harper and 6-0

Gervais)

Rep. Grinde:

Accounting and reporting requirements, including provision for withholding of state equalization aid for noncompliance, and including a statement of intent. If districts are required to convert to GAAP, should the appropriation to implement it be in SB 203? (Amendments attached)

Rep. Cobb:

Amendment concerning reimbursement provisions for districts experiencing delinquent and protested tax payments. (Amendment attached)

OPI:

(1) What portion of the money raised by the increased mills (100 mills) should be retained at the county level, and what portion should be required to be submitted to the state? A separate state levy for any mills in excess the current 45 may be preferable to increasing the basic elementary and high school levy as Rep. Glaser's motion on 3-7-89 provided. The local effort would still exist for PL 874 money, and the counties would not have any additional burdens with uncollected tax payments.

(2) Should there be a statutory commitment to fund retirement at 100% in future years? A schedule adjustment mechanism would be required that will track retirement costs each year.

(3) Should there be a statutory commitment to fund comprehensive insurance at 90% in future years? A simimilar mechanism would be required.

(4) Should there be a statutory commitment to fund transportation at 100% of schedules in future years?

Amendment for Staff Item #8

20-9-343. Definition of and revenue for state equalization aid. (1) As used in this title, the term "state equalization aid" means those moneys deposited in the state special revenue fund as required in this section plus any legislative appropriation of money from other sources for distribution to the public schools for the purpose of equalization of the foundation program.

(2) ~~The legislative appropriation legislature shall biennially appropriate money for state equalization aid shall be made in a single sum for the biennium.~~ The superintendent of public instruction has authority to spend such appropriation, together with the earmarked revenues provided in subsection (3), as required for foundation program purposes throughout the biennium.

(3) .....



STAFF ITEM # 9, 10

7            NEW SECTION.    **Section 49.**    Extension of authority.    Any  
8    existing authority to make rules on the subject of the  
9    provisions of [this act] is extended to the provisions of  
10   [this act].

11           NEW SECTION.    **Section 50.**    Appropriation.            (1)    All  
12   revenue received under the provisions of 20-9-343 is  
13   appropriated to the superintendent of public instruction for  
14   the fiscal year ending June 30, 1991.

15           (2)    There is appropriated from the general fund  
16   \$53,840,000 for the fiscal year ending June 30, 1991, to be  
17   used to the extend funds appropriated in subsection (1) are  
18   insufficient to finance the foundation program schedules for  
19   public schools, excluding special education.

20           (3)    There is appropriated from the general fund  
21   \$4,300,000 for the fiscal year ending June 30, 1991, to be  
22   used to finance state support of the special education  
23   programs of the public school districts and cooperatives.

24           (4)    There is appropriated from the general fund  
25   \$11,568,000 for the fiscal year ending June 30, 1991, to be

1    used to finance the public school transportation  
2    reimbursement schedules.

3           NEW SECTION.    **Section 51.**    Effective date.    [This act]

## Grinde Amendments

Section \_\_\_\_ Section 2-7-504, MCA, is amended to read:

"2-7-504. Accounting methods. The Unless otherwise required by law, the department shall prescribe the general methods and details of accounting for the receipt and disbursement of all moneys belonging to governmental entities referred to in this part and shall establish in those offices general methods and details of accounting. All governmental entity officers shall conform with the standards prescribed by the department .

Section \_\_\_\_ Section 20-9-201, MCA, is amended to read:

"20-9-201. Definitions and application. (1) As used in this title, unless the context clearly indicates otherwise, "fund" means a separate detailed account of receipts and expenditures for a specific purpose as authorized by law. Funds are classified as follows:

(a) A "budgeted fund" means any fund for which a budget must be adopted in order to expend any money from such fund. The general fund, transportation fund, bus depreciation reserve fund, elementary tuition fund, retirement fund, debt service fund, leased facilities fund, building reserve fund, adult education fund, nonoperating fund, vocational-technical center fund, and any other funds so designated by the legislature shall be budgeted funds.

(b) A "nonbudgeted fund" means any fund for which a budget is not required in order to expend any money on deposit in such fund. The school food services fund, miscellaneous federal programs fund, building fund, lease or rental agreement fund, traffic education fund, interlocal cooperative fund, and any other funds so designated by the legislature shall be nonbudgeted funds.

(2) The school financial administration provisions of this title apply to all money of any elementary or high school district except the extracurricular money realized from pupil activities. Elementary and high school districts shall record the receipt and disbursement of all money in accordance with generally accepted accounting principles. The superintendent of public instruction has general supervisory authority over the school financial administration provisions, as they relate to elementary and high school districts, as prescribed by law and shall establish such rules as are necessary to secure compliance with the law.

Section \_\_\_\_ Section 20-9-213, MCA, is amended to read:

"20-9-213. Duties of trustees. The trustees of each district shall have the sole power and authority to transact all fiscal business and execute all contracts in the name of such district. No person other than the trustees acting as a governing board shall have the authority to expend moneys of the district.

" C

In conducting the fiscal business of the district, the trustees shall:

(1) cause the keeping of an accurate, detailed accounting of all receipts and expenditures of school moneys for each fund maintained by the district in accordance with generally accepted accounting principles and the rules prescribed by the superintendent of public instruction. The record of such accounting shall be open to public inspection at any meeting of the trustees.

(2) authorize all expenditures of district moneys and cause warrants to be issued for the payment of lawful obligations;

(3) have the authority to issue warrants on any budgeted fund in anticipation of budgeted revenues, except that such expenditures shall not exceed the amount budgeted for such fund;

(4) invest any moneys of the district, whenever in the judgment of the trustees such investment would be advantageous to the district, by directing the county treasurer to invest any money of the district in direct obligations of the United States government, payable within 180 days from the time of investment, or in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state. All interest collected on such deposits or investments shall be credited to the fund from which the money was withdrawn, except that interest earned on account of the investment of money realized from the sale of bonds shall be credited to the debt service fund or the building fund, at the discretion of the board of trustees. The placement of the investment by the county treasurer shall not be subject to ratable distribution laws and shall be done in accordance with the directive from the board of trustees. A district may invest moneys under the state unified investment program established in Title 17, chapter 6.

(5) cause the district to record every transaction in the appropriate account before the accounts are closed at the end of the fiscal year, in order to properly report the receipt, use, and disposition of all money and property for which the district is accountable;

~~(5)~~ (6) report annually to the county superintendent, not later than August 1, the financial activities of each fund maintained by the district during the last completed school fiscal year on the forms prescribed and furnished by the superintendent of public instruction. Annual fiscal reports for joint school districts shall be submitted to the county superintendent of each county in which part of the joint district is situated.

~~(6)~~ (7) whenever requested, report any other fiscal activities to the county superintendent, superintendent of public instruction, or board of public education;

~~(7)~~ (8) cause the accounting records of the district to be audited annually as required by law; and

~~(8)~~ (9) perform, in the manner permitted by law, such other fiscal duties that are in the best interests of the district.

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

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

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

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

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

(3) The board of public education may order the superintendent of public instruction to withhold distribution of state equalization aid from a district, in an amount and under conditions determined by the board of public education, when the district fails to:

(a) submit reports or budgets as required by law or rules adopted by the superintendent of public instruction or the board of public education;

(b) maintain accredited status; or

(c) comply with any other requirement of law or rules adopted by the superintendent of public instruction or the board of public education.

~~(3)~~ (4) Should a district receive more state equalization aid than it is entitled to, the county treasurer must return the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed by the department of commerce.

~~(4)~~ (5) The first payment of state equalization aid must be:

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

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

DRAFT

STATEMENT OF INTENT

Under sections 20-3-106, 20-9-102, 20-9-201, 20-9-211, and 20-9-213 the superintendent of public instruction is required to adopt rules establishing requirements for budgeting and financial administration of public school districts, including accounting and reporting requirements. Under section 20-9-344 the board of public education has authority to require any reports it considers necessary. Under section 2-7-504 the department of commerce is required to prescribe the general methods and details of accounting for the receipts and disbursement of all money belonging to first- and second-class school districts and third-class school districts that maintain a high school.

It is intended that school districts be required to maintain accounting systems using generally accepted accounting principles, and to file accurate and timely reports with the Superintendent of Public Instruction. Districts shall also be required to provide student and school district data as may be required by the Superintendent of Public Instruction concerning the condition of education in Montana, including personnel information, student and school district demographics, assessment of student and school district achievement, and other appropriate educational factors necessary to enable the Legislature to assess the equality of educational opportunity being provided by the public school districts and to determine the amount of state aid to be distributed to school districts. Districts will also provide data to meet grant requirements and other national reporting needs.

It is intended that the Superintendent of Public Instruction shall conduct training and provide forms for the personnel responsible for completing reports. Where possible the Superintendent of Public Instruction shall develop methods for collecting educational data electronically, utilizing formats consistent with school district data processing capabilities. The educational data shall be maintained in an electronic format easily accessible by other state agencies and the legislature.

State equalization aid may be withheld from school districts, as required by 20-9-344, that do not comply with the accounting and reporting requirements.

Cobb Amendments

Section \_\_\_\_ Section 20-9-331, MCA, is amended to read:

"20-9-331. Basic county tax and other revenues for county equalization of the elementary district foundation program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic tax of 28 mills on the dollars of the taxable value of all taxable property within the county, except for vehicles subject to taxation under 61-3-504(2), for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated revenues identified in subsection (2) below shall be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county treasurer shall remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

(c) If revenue from the basic levy prescribed by this section, when combined with the other revenue from subsection (2), is insufficient to fully fund the percentage determined in 20-9-347(1)(b), and the county is eligible for an apportionment of state equalization aid under the provisions of 20-9-347(1)(c), the county superintendent shall notify the superintendent of public instruction of the deficiency. The superintendent of public instruction shall increase the state equalization aid payments to the districts in the affected county to offset the deficiency. No payment may be made under this subsection that allows a district to receive foundation program funding in excess of the foundation program amount of the district.

(2) The proceeds realized from the county's portion of the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

(a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for the common school fund under the provisions of 17-3-222;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of 17-3-232;

(c) all money paid into the county treasury as a result of fines for violations of law, except money paid to a justice's

court, and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for the various sources of revenue established or referred to in this section;

(e) any federal or state money distributed to the county as payment in lieu of the property taxation established by the county levy required by this section;

(f) net proceeds taxes for interim production and new production, as defined in 15-23-601; and

(g) anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537.

Section \_\_\_\_\_ Section 20-9-333, MCA, is amended to read:

"20-9-333. Basic special levy and other revenues for county equalization of high school district foundation program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic special tax for high schools of 17 mills on the dollar of the taxable value of all taxable property within the county, except for vehicles subject to taxation under 61-3-504(2), for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of high school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the estimated revenues identified in subsections (2)(a) and (2)(b) below shall be subtracted from the sum of the county's high school tuition obligation and the total of the foundation programs of all high school districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county treasurer shall remit the surplus to the state treasurer for deposit to the state special revenue fund, state equalization aid account, immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

(c) If revenue from the basic levy prescribed by this section, when combined with the other revenue from subsection (2), is insufficient to fully fund the percentage determined in 20-9-347(1)(b), and the county is eligible for an apportionment of state equalization aid under the provisions of 20-9-347(1)(c), the county superintendent shall notify the superintendent of public instruction of the deficiency. The superintendent of public instruction shall increase the state equalization aid payments to the districts in the affected county to offset the deficiency. No payment may be made under this subsection that allows a district to receive foundation program funding in excess of the foundation program amount of the district.

(2) The proceeds realized from the county's portion of the levy prescribed in this section and the revenues from the following sources shall be used for the equalization of the high school district foundation programs of the county as prescribed

in 20-9-334, and a separate accounting shall be kept of these proceeds by the county treasurer in accordance with 20-9-212(1):

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's accounts for the various sources of revenue established in this section;

(b) any federal or state moneys distributed to the county as a payment in lieu of the property taxation established by the county levy required by this section;

(c) net proceeds taxes for interim production and new production, as defined in 15-23-601; and

(d) anticipated revenue from vehicle property taxes imposed under 61-3-504(2) and 61-3-537.



Office of the Legislative Fiscal Analyst  
March 22, 1989

Expenditures (Millions)	Elementary	High School	Total
General Fund Expenditures	\$277.83	\$167.54	\$445.37
Retirement	33.85	18.87	52.72
Comprehensive Insurance	6.53	4.09	10.62
Allowable Special Education	(17.57)	(6.95)	(24.52)
Special Education Retirement	(3.08)	(1.22)	(4.30)
P.L. 874	(11.95)	(6.12)	(18.07)
	-----	-----	-----
Total	\$285.61	\$176.21	\$461.82
Equalized Amount	\$260.44	\$160.47	\$420.91
FY 1989 MGFBWV	\$177.31	\$102.09	\$279.40
	1.47	1.57	1.51

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EXHIBIT 5  
DATE 3-22-89  
HAB                     

By Request of Rep. Harper and Rep. Gervais

TITLE AMENDMENT: creating a legislative oversight committee on school funding implementation to direct studies; appropriating funds for the committee's use; and providing an immediate effective date"

AMENDMENT TO SB 203

Section 1. Definitions. As used in [this act], "committee" means the legislative oversight committee on school funding implementation created in [section 2].

Section 2. Legislative oversight committee on school funding -- composition and appointment. (1) There is a legislative oversight committee on school funding implementation.

(2) The committee consists of 11 members as follows:

(a) four members of the house of representatives appointed by the speaker of the house;

(b) four members of the senate appointed by the committee on committees of the senate;

(c) the superintendent of public instruction or appointed designee as an ex officio nonvoting member;

(d) a member of the board of public education as an ex officio nonvoting member; and

(f) the governor or appointed designee as an ex officio nonvoting member.

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(3) No more than two legislative members from each house may be of the same political party.

Section 3. Term of office -- vacancies. (1) A committee member shall serve until the committee terminates as provided in [section 7].

(2) A vacancy on the committee must be filled in the same manner as the original appointment.

Section 4. Officers -- meetings -- quorum -- compensation.

(1) The committee shall choose from its membership a chairman and vice chairman.

(2) The committee shall meet upon the call of the chairman or at the request of any five members.

(3) Six members constitute a quorum to transact business.

(4) A legislative member is entitled to compensation as provided in 5-2-302.

(5) Members must be appointed by June 1, 1989.

Section 5. Duties of the committee. The duties of the committee include but are not limited to: (1) monitoring the implementation of school funding equalization, including:

(a) identification of any problems of implementation and options for resolving these problems;

(b) continued analysis of school district budget and expenditure data and of improvements in school district accounting and reporting procedures;

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(c) examination of other issues related to implementation.

(2) directing the following studies of issues related to school funding equalization:

(a) school transportation equalization including but not limited to:

(i) mechanisms to equalize transportation funding; and

(ii) analysis of issues related to the costs and efficiencies of school transportation, including reimbursement schedules, load requirements, three-mile limit, transporting ineligible transportees, functions of the county transportation committee, and school district reporting and budgeting duties.

(b) school district capital outlay and debt service equalization including but not limited to:

(i) analysis of school district funds and budgets for various school district capital outlay and debt service obligations;

(ii) options for equalizing school district capital outlay and debt service obligations.

(c) continued study of issues related to equalization including but not limited to comprehensive insurance, uncollected taxes, tuition, student-based funding distribution methods, special education funding, and federal P.L. 874 revenue, especially as it pertains to revenue not linked to Native American students.

(3) ongoing analysis of revenue sources related to school funding.

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(4) providing an avenue for discussion with any party contemplating litigation regarding compliance with the supreme court and district court rulings on school funding equalization.

(5) report its findings, recommendations, and any proposed legislation to the governor and the 52nd legislature.

**Section 6. Staff assistance.** The committee may request the following governmental entities to provide staff assistance to the committee:

(1) the office of public instruction;

(2) the governor's office of budget and program planning;

and

(3) the legislative council, the office of the legislative fiscal analyst, and the office of the legislative auditor.

**Section 7. Termination.** The committee terminates December 30, 1990.

**Section 8. Appropriation.** There is appropriated \$20,000 to the legislative council for the biennium ending June 30, 1991, for use by the committee.

**Section 9. Effective date.** [This act] is effective on passage and approval.

-END-

## SELECT COMMITTEE ON EDUCATION FUNDING

[illegible]

4 4

Janne Hynn  
Secretary

Ray Beck  
Chairman

MOTION: Rep. Harrington moved to clarify that FY89 be used for determining a district's expenditure level for purpose of determining whether it will be "grandfathered" from the cap on maximum general fund budgets.