

## MINUTES

### MONTANA SENATE 51st LEGISLATURE - 1st SPECIAL SESSION

#### COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By Chairman H.W. Hammond and Chairman Ted Schye,  
on June 22, 1989, at 1:00 p.m.

#### ROLL CALL

Members Present: All Senate Education Committee Members Present  
All House Education Committee Members Present

Members Excused: None

Members Absent: None

Staff Present: Andrea Merrill, Legislative Researcher  
David Cogley, Legislative Researcher  
Claudia Johnson, House Committee Secretary  
Jaelene Johnson, Senate Committee Secretary

Announcements/Discussion: This is a joint hearing between the Senate and House Education Committees. Chairman Senator Hammond chaired for SB 17 and Chairman Representative Schye chaired when the House Bills were presented. Chairman Senator Hammond then chaired when Senator Nathe's bill, SB 20 was presented.

#### HEARING ON SENATE BILL 17

##### Presentation and Opening Statement by Sponsor:

Senator J.D. Lynch, Senate District 34, opened stating that this bill is important to the small communities in Montana. He stated that since the regular 1989 Legislative Session was over, the Attorney General has come out with an opinion after having been requested in regards to the hours that the municipal government offices must stay open. The law states that the municipal offices must be open 9 hours a day and 45 hours a week. He stated that it would break some of the small incorporated cities. This bill only addresses third class cities and towns to set their own hours as long as they notify the public, and it allows the small communities to do what they have been doing for a long time.

##### Testifying Proponents and Who They Represent:

Alec Hansen, Lobbyist for Montana League of Cities and Towns

Proponent Testimony:

Mr. Hansen stated his support for SB 17, and thanked those that signed the petition to bring this bill in to address this problem. Mr. Hansen distributed a handout on the taxable value of cities and towns in Montana. (See EXHIBIT 1). He stated that some of the mills only raise \$50-\$60, and some of the small towns have an annual budget of less than \$10,000 which makes it very difficult for these places to have a full time employee. Mr. Hansen distributed another handout regarding a survey taken on the hours some of the offices are open. (See EXHIBIT 2). He stated that the main concern is the third class cities and towns that cannot afford to operate 45 hours a week. Mr. Hansen stated that if some of the small offices are open 45 hours a week, they would go out of business.

Testifying Opponents and Who They Represent:

None

Questions From Committee Members: Senator Farrell asked Mr. Hansen why the language on line 17, page 1, "except county" had been struck, if this is a city bill why is "county" struck? Mr. Hansen replied that on line 18 of page 1, "city and county" is reinserted. Mr. Hansen said that this is an existing law and that city and county treasurers now have the authority to close at lunch time. Senator Farrell was not satisfied and Chairman Senator Hammond requested that a page go and find Greg Petesch, Legislative Researcher, to explain the meaning or reasoning of third class cities except counties. Mr. Hansen stated that it clearly states in the existing law to allow city and county treasurers to close their offices from 12 noon to 1:00 p.m.. He stated that there were three sections that were being worked on in the bill, the first section is new language and the language that is being talked about is in section 3 that includes city and county offices. Mr. Greg Petesch arrived to explain why "except counties" was struck. Mr. Petesch stated that "county" had been inserted when the legislative council had renumbered the bill, and stated that there was no substantive change, it was a format change only.

Closing by Sponsor: Senator J.D. Lynch closed.

## DISPOSITION OF SENATE BILL 17

Motion: Senator Blaylock moved SB 17 to be concurred in.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The question was called and a voice vote was taken. The motion CARRIED unanimously to BE CONCURRED IN.

#### HEARING ON HOUSE BILL 41

#### Presentation and Opening Statement by Sponsor:

Representative Mercer, House District 50, stated that he is the chief sponsor of HB 41, a part of the Governor's package dealing with school funding. Representative Mercer stated that the Governor's package is essentially a separate bill that brings the schedule up to 0 and 0 and then this bill calls for a 2 percent increase in the schedule. He stated that the Governor desires an increase if the money is available for 1989/90 biennium. He stated that the Governor's analysis of the budget is if everything is put together properly to fund the 2 percent increase and in addition to that, it is the Governor's desire to solve the equalization problem and that this bill could go along with the rest of the bills, and should not be independent, but a part of the entire package. Representative Mercer stated that Mr. Dave Darby is present to explain why the Governor feels that the 2 percent is justified under the budget.

#### Testifying Proponents and Who They Represent:

Dave Darby, Director, Governor's Office of Budget and Program Planning

#### Proponent Testimony:

Mr. Darby distributed a handout on the current level funding as opposed to the 2 percent bill. (See EXHIBIT 3). Mr. Darby stated that HB 41 is a companion to HB 42, which is the Governor's proposed funding of the foundation schedules at current level and this is also a companion to the Governor's personal property tax relief program. Mr. Darby stated that one way to look at current funding, even though action has been taken on Representative Schye's bill, HB 6 regarding the 4 percent for the Foundation Program. (See EXHIBIT 5). He stated that the total funds available from the education pots of money to fund current level would be about \$38 million over the biennium. The current cost of funding those schedules above what is available is approximately \$38 million. Mr. Darby stated that the bottom line is, if all the pots of money are used that are in the trust and in the foundation for current level, there would be about enough money to fund those programs through the biennium. Mr. Darby suggested that the contacts from which the dollars are evaluated, the foundation and trust monies will pay for current level and any increase in school funding for the school years 1990/91 will come from the trust flow as recommended by the Governor or they will come from an additional general fund reserve or some other revenue

source. Mr. Darby stated that at this point the Governor does support a 2 percent increase and the revenue stream for this is to come from the Coal Tax Funds as it appears in his personal property tax bill.

Testifying Opponents and Who They Represent:

Nancy Keenan, Superintendent of Public Instruction  
Bruce Moerer, Montana School Boards Association  
Eric Feaver, MEA  
Terry Minow, MFT  
Jess Long, School Administrators of Montana

Opponent Testimony:

Superintendent Keenan distributed a handout on the school funding that had been presented by mini workshops. (See EXHIBIT 6). Superintendent Keenan stated that her basic reason in opposing this bill for the 2 percent is not unfounded in that the evidence that had been presented to the Legislature in the regular session in regards to HB 618 that had been passed by the legislators. Superintendent Keenan stated that the 2 percent versus the 4 percent is inevitable and not enough to fund the programs that have been cut over the last few years. Superintendent Keenan stated that the 4 percent is not extravagant and it is not additional money to such an extreme that the schools do not need it, but is purely an inflationary cost.

Mr. Moerer stated that the Montana School Board Association opposes this 2 percent increase and they want to see Representative Schye's bill, HB 6 for the 4 percent increase be adopted.

Mr. Feaver stated that the education community has shown their support for HB 6, and the 2 percent increase would not be enough. Mr. Feaver stated that in the Governor's conclusion, he has stated that there would be enough revenue available to fund the 2 percent increase. Mr. Feaver stated that this revenue would not agree with the source but revenue is also available for SB 10, which is the merit pay proposal which would allocate approximately \$5.2 million. Mr. Feaver stated that it is clear that the Governor has another source of revenue available and if SB 10 and HB 41 were to be combined together that there would be enough revenue necessary to fund the schedule increases at 4 percent.

Ms. Minow stated that the MFT opposes this bill and is in favor of HB 6, the 4 percent increase.

Mr. Long stated that he opposes HB 41 for the same reasons mentioned above and that the 4 percent increase is viable for the funding of schools.

Questions From Committee Members: Representative Schye asked Mr. Darby about his office getting together with the LFA to get their figures together? Mr. Darby stated that they were and that Judy Rippingale was not here, but the difference in the numbers that he has distributed on (EXHIBIT 5), to fund current levels, he stated that OBPP projected \$35 million and the LFA projected \$39 million. Mr. Darby stated that it is a big difference and his office and the LFA are looking into the schedules to find out why.

Representative Eudaily asked Mr. Darby about the 2 percent increase for the first year of the biennium and if by chance that no plan is adopted, would this go back to 0 the second year of the biennium? Mr. Darby stated that was correct.

Closing by Sponsor: Representative Mercer closed stating that he realized that the House Education Committee had already passed the bill with the 4 percent increase in it, and stated that he is concerned that currently there is 0 increase out there for 1989/90, and when the Governor comes forward with a 2 percent bill the education community is in testifying against it instead of in favor of it. He stated that the question is not a 2 percent or 4 percent increase, but does the education community want a 0 percent and 2 percent increase or a 0 percent and 4 percent increase. He stated that he could not understand everyone being against the 2 percent when it has the support of the Governor. Representative Mercer stated that the Governor has said at this point that he can pay for the 2 percent increase and when the funding is at 0 percent, 2 percent would be good and 4 percent would be better. He asked the Committees to support this bill and amend it to 4 percent instead of saying "no, we oppose this bill". Representative Mercer stated that it is evident that the people are willing to take the gamble of a 4 percent increase or nothing.

#### HEARING ON HOUSE BILL 45

Presentation and Opening Statement by Sponsor:

Representative Hannah, House District 86, opened by using a comparison sheet on the summary of school funding equalization proposals, June 19, 1989, prepared by Andrea Merrill, and David Cogley, staff researchers. (See EXHIBIT 9). Representative Hannah referred to number seven, LC 0015, to strike "minimum", it should be "mandatory" to make it accurate. Representative Hannah stated that the Governor started the process several months ago that the Committees are up against now, e.g. how do they take the declining enrollment base, the declining tax base, and take an economy that is in a struggle. He stated that the people of Montana are having a hard time making ends meet, but can still maintain what is a proud institution which is the education

system. Representative Hannah asked, "how do we take the multitude of difficulties that we are faced with in Montana today under the court mandate to equalize education without doing ourselves in and forcing the State further down the trail of fewer jobs, industries and income for the State". Representative Hannah stated that there is a large difference between what the education industry wants and what is acceptable to the people of Montana. Representative Hannah stated that maybe this plan could be incorporated with other plans and asked that the Committees look at this plan on its merits instead of who the author may be. Representative Hannah stated that this plan is not a temporary shift from one time funds. He stated that this bill tells what to do and how to do it and it will be balanced. Representative Hannah stated that this last year was the first time that the budget has been balanced with ongoing revenue and expenses, maybe as far back as 1979. Representative Hannah stated that all of the proposals that are before the Legislature are "Robin Hood" proposals, taking the money from one group of people and giving it to another group to equalize. Representative Hannah felt that all of the plans are substantially equal in as far as winners and losers, which means that about 70 percent of the districts involved are winners and 30 percent will be losers. Representative Hannah recommended that after the Committees hear the details of the plan and if they are unhappy with the 80/20 split and they feel it should be a 70/30 split, or if there should be a "phase in" plan to please talk about it and do not dismiss this plan.

Testifying Proponents and Who They Represent:

Ken Nordtvedt, Director of the Department of Revenue  
Jim Mockler, Executive Director, Montana Coal Council  
Jerome Anderson, Shell-Western Exploration  
Janelle Fallan, Executive Director, Montana Petroleum Association

Proponent Testimony:

Dr. Nordtvedt stated that the fundamental issue facing the Legislature is to come up with an equalization plan, whatever the resources, the State is committed to education. Dr. Nordtvedt stated that this Special Session must deal with the issue of what resources are available and the best way to equalize it. Dr. Nordtvedt stated that by looking at the court decision and the present funding system that the court focused on, there were two main problems: 1.) The disparity in property tax wealth of the schools in Montana, and 2.) A very large fraction of school expenses are presently being funded on local property taxes driven from the disparity tax wealth. Dr. Nordtvedt stated that the combination of rich districts and poor districts and the fact that they are budgeting 40 percent of their budgets from local property taxes leads to different access of wealth for the schools. Dr. Nordtvedt stated that the

Governor's plan solves the fundamental driving force of the court's decision which is the tax wealth disparity. He stated that this greatly reduces the tax wealth among the 540 school districts of Montana which will roughly cut the disparity in half. Dr. Nordtvedt stated that this plan comes the closest of any plan to solve the problem. He explained the "guaranteed tax base"; it brings those that are below average up to the average in their affective taxing power at the local level. He stated that it leaves all of the wealth disparities above the average completely in place except for some slow compression at some levels of high spending. He stated that districts over the 66 percent schedule amounts, the rich districts will still have their full access to property tax wealth per student compared to the schools now that are bunched at the state average. Dr. Nordtvedt stated that within the property tax system and not calling on any other or new tax resources this plan will raise substantial revenue for the State Foundation Program to increase the Foundation Program Schedules. Dr. Nordtvedt distributed a handout on the 1990/91 school year basic equalization. (See EXHIBIT 11). Dr. Nordtvedt stated that in this basic plan, education can be equalized within the present property tax revenue system that is in place in Montana today. Dr. Nordtvedt said that the State needs \$128 million after receiving \$12 million from miscellaneous automatic sources. He stated that the proposal is a change in the Statewide mandatory levy to 85 mills, and the increased 30 mills would only be on the tax base excluding the extracted industries which would raise \$46 million. The extracted industries are revenue neutral per unit of production. The diversion of highly concentrated tax wealth, e.g. centrally accessed property, net and gross proceeds are essential of the extracted industries property diverted to the State level to equalization is the other revenue source of \$70 million. Dr. Nordtvedt stated that there will be no major deficits and no use of one time revenues but this is not a solution to the revenue debate. He asked the Committees to not let the revenue debate be confused with the equalization issue. He stated that the property taxes today are funding \$300 million into education and \$200 million of that is not equalized. He stated that there is a large pot of money going to education that can be equalized to meet the court mandate. Dr. Nordtvedt stated that it is found that 70 percent of school children in Montana are found to be in schools that can fund a given budget with fewer mills, 30 percent of the state will find that they will require more mills to fund a given budget. Dr. Nordtvedt felt that this will meet all present court objectives with the present system and solve them by: 1.) reduce taxpayer disparity efforts, and 2.) reduce spending disparity and equalize access of schools to resources. He stated that the present 60 percent of State funding of general fund plus retirement and plus insurance would be increased to 80 percent in 1990/91, but it would cut in half the percentage of local efforts and allow for a 10 percent

realistic growth in spending for that year. He stated that this plan will cut in half what has to be raised at the local level. Dr. Nordtvedt stated that there has been one change in their plan and that is the 80/20 split in the taxes from centrally assessed and similar properties. This was to be determined from local mill levies to drive that split. He stated that it was brought out that it would not guarantee the State's share of its revenue for the Foundation Program, the bill now states that the 80 percent diversion that goes to the State Foundation Program be based on a fixed levy. (See EXHIBIT 7). Dr. Nordtvedt stated that this plan will not promote rapid increase in school spending. This plan has caps of 125 percent of the schedule amount or a 4 percent growth from the previous year's budget which would be useable by a district that would have been frozen by the other cap. Dr. Nordtvedt stated that there are several things this bill will not do: 1.) It was brought to his attention that the language may imply that the 874 money would be included in the caps, he stated that was clearly not his intent and did not mean for it to be taken that way, the 874 money is left alone, and 2.) The county tax base is left unchanged, this bill only deals with school funding the total taxable value of the counties remains the same, 3.) Transportation debt and capital local levies would be left exactly the way they are now for the next two years while a study is being done on how to properly equalize these unusual funds, and 4.) The Foundation Program Schedule curve is not changed to favor the larger schools as some may think.

Mr. Mockler reiterated what he previously stated and asked the Committees to support the concept of solving the education program and he supports the concept of this bill. Mr. Mockler stated that the coal industry is willing to give up part of their gross proceeds in order to help this situation if the Legislature will convert their gross proceeds to 5 percent of value. Mr. Mockler stated that the coal industry can ingest the \$747,000 on the gross proceeds.

Mr. Anderson stated that he does not support the imposition of excessively high mill levies on any of the communities and areas in which the Shell Oil Companies operate. He stated that the high mill levies will severely impact the economics of those areas and will stagnate the growth and the economic status of those companies. Mr. Anderson stated that in allowing the industry to reach a revenue neutral position or a flat rate of 8.3 percent, two thirds of the industry under those circumstances will be paying additional taxes. He stated that under the 8.3 percent taxes, it would raise Shell Oil taxes by approximately 25 percent, from \$6.8 million to \$8.6 million. He stated that the Shell Oil Co. would be willing to take the chance if it would mean that the contribution offers a permanent solution to this equalization problem.



Ms. Fallan stated that she supports Mr. Anderson's testimony. She stated that more people have left the State in the petroleum industry in the last five years than there is working in the industry in the State now. She stated that it is the service companies not the extracted industries that are affected. The people that pay taxes, personal property taxes, etc., are the ones that have left. Ms. Fallan stated that the petroleum industries appreciate the efforts that they will remain revenue neutral which has been a concern for some time and hoped that the whole proposition will not be balanced on several of the industries in Montana that are unfortunate enough in paying a lot of taxes already. She stated that the petroleum companies case was valued at 100 percent of value which would bring the petroleum companies taxes up.

Testifying Opponents and Who They Represent:

Nancy Keenan, Superintendent of Public Instruction  
Eric Feaver, MEA  
Pat Melby, Attorney for the plaintiffs of the under-funded lawsuit  
Bruce Moerer, Montana School Boards Association  
Terry Minow, MFT  
Claudette Morton, BPE  
Jess Long, Executive Secretary of School Administrators of Montana  
Steve Brown, Indian Impact Schools  
Christine Devany, League of Women Voters

Opponent Testimony:

Superintendent Keenan stated that OPI is in opposition to this bill in regards to the expenditure side of the bill and the revenue side. Superintendent Keenan stated that this plan will fund about 85 percent of FY 1988 expenditures and will allow the highest spending districts to increase spending by an additional 4 percent each year. Superintendent Keenan stated that Governor Stephen's proposal provides the framework to continue the current pattern of school district spending disparity. She stated that the court found that those disparities translate into a denial in equal education opportunity. On the expenditure side, she stated that the plan would take 15 years to take affect. On the revenue side, this bill imposes 85 mills statewide, the current average school mill levy is 168 mills. Superintendent Keenan stated that revenue will be lost under this bill which would have to come from cuts or higher cost to the State's general fund. She stated that Governor Stephen's plan relies heavily on voted levies, and the local school administrators across the State have expressed concern that they will have difficulties in approving levies at that level to reach their 1988 expenditures if 80 percent of that revenue comes into the State on centrally assessed property and go into the State's equalization fund. Superintendent

Keenan stated that Governor Stephens and Dr. Nordtvedt had revised the plan by imposing a 155 mills on centrally assessed property and she felt that this might not stand up in court for disparity. Superintendent Keenan stated that the one concern she has is that Dr. Nordtvedt had commented that the Office of Public Instruction would have to refund back to the individually centrally assessed businesses if the voted levy exceeded the 155 mill levy. She stated that this would be very complicated and difficult to administer. She distributed a handout that showed what the OPI would have to go through to refund those people. (See EXHIBIT 12).

- Mr. Feaver stated that he and MEA rise in opposition to HB 45. He stated that if this had not been the Governor's plan, it would not have been introduced. Mr. Feaver gave a synopsis of what this bill would do; HB 45 is revenue competent, extraordinarily complex, and violates in terms of the schools structure and obligations, it under-funds the State's obligation to public schooling, and rest on the continuance of an unequalized voted levy to maintain spending and to respond to inflationary increases. He stated that HB 45 ignores disparities in per pupil expenditures among similarly sized school districts.
- Mr. Melby stated that he would at least like to see the funds that are being spent on education now to be adopted by the State. Mr. Melby stated that all that is asked for of the Legislature is the money necessary to operate education and a quality education. Mr. Melby stated that after hearing some of the testimony on this bill he felt that it is designed to cut education funding in the state of Montana. He stated that this plan does not address the central plan in the Supreme Court decision. The issue is the difference in per pupil spending among the various districts not the property wealth.
- Mr. Moerer stated that he is opposed to HB 45 and reiterated everything that has been previously stated. Mr. Moerer stated that the funding could be done very easily by cutting out the voted levy and make schools do with what they get from the State, and cut out 45 percent of the general fund budget.
- Ms. Minow stated her opposition of HB 45, and that it has an over reliance on local property tax levies. She stated that there are difficulties in passing property tax levies when a high proportion of that will go out of the district, e.g. the maintenance of disparities, per pupil spending and the low level of State funding. Ms. Minow stated that this bill will result in an equalizing down of the education that Montana students receive today.
- Ms. Morton stated that HB 45 will not solve the problem. As a defendant in the under-funded lawsuit, she stated that BPE

would be back in court along with the rest of the defendants if this bill were in place. Ms. Morton stated that the Board had voted that it would not support any program that equalizes downward.

Mr. Long stated his opposition of HB 45 and reiterated everything that has been mentioned in above testimony.

Mr. Brown stated that Representative Hannah was correct in stating that this bill should be judged on its' merits and not it's author. He stated that the bill had not been printed until 11:30 a.m. today, and he would not have testified today if the bill would have done what the Governor's office had said what its' position was. Mr. Brown stated that this bill does not support what the Governor's oral intentions are. Mr. Brown stated that the Governor had submitted an application for approval by the U.S. Department of Education for equalization of the 874 funds, which was to be studied during the interim to take a look at the issue from a long term perspective and address the issue of how the State would comply with Article 10, Section 1, Subsection 2, the guarantee of preserving Native American culture in the state of Montana. He gave a list of all the bills that have been presented for the equalization and funding for the schools of Montana and stated that they all contain identical language, displaying the resolution of the 874 issue in those terms. Mr. Brown stated that in May, he was informed that the Governor's plan was considering equalizing \$10 million of the 874 funds, then the Governor's office and Dr. Nordtvedt met on May 31, 1989 and commented that they had just thrown it out to the Legislature as a suggestion to consider, but the administration in no way was supporting the equalization of the 874 funds. He stated that he appreciated Dr. Nordtvedt being up front today "stating that it is not the intent of the Governor's office to cap the expenditure of the 874 funds".

Ms. Devany stated that the League of Women Voters does not represent any special interest groups on education or tax reform. She stated that the League wishes to go on record in opposition of HB 45 because the funding proposal fails to meet the mandate of equalization demanded by the Supreme Court by not providing a high enough level of funding and not assuring the equalization will occur in a reasonable amount of time. She asked that the Committees give this bill a do not pass recommendation and that they work to find a system that will provide an equitable solution to the problem.

Questions From Committee Members: Representative Phillips asked Ms. Morton if there had been any study done on the dollar amounts affecting the students education in comparisons of rich versus poor districts? Ms. Morton replied that the Board of Public Education at the requirement of the Legislature last session to set up an assessment policy.

She stated that a part of that assessment policy does go into affect this coming year to gather data in regards to the testing of the students. The other part of the assessment policy covers a broader based assessment as to what it takes to be a well educated person. She stated that at this time there has not been the resources to gather that data at the State level.

Representative Phillips asked Dr. Nordtvedt about a statement made earlier in the hearing in regards to him and the Governor's office cutting education spending and asked him to expound what was meant by that statement? Dr. Nordtvedt replied that those remarks were outrageous. He stated that the administration had increased the guaranteed State support in the schedules to every child in Montana by 46 percent. In the equalization, 73 percent of the schools can fund any given budget level with fewer mills. He stated that this is the only basic plan that does not need additional or new revenue and makes the revenue more accessible to the schools. Dr. Nordtvedt stated that with the Legislators proposing more plans that it is adding more revenues from other sources if the State can agree upon them.

Representative Darko asked Dr. Nordtvedt about her school district being one of the under-funded plaintiffs. She stated that her district is a low wealth district and a low spending school district, but they have a lot of tax base that would be centrally assessed to go to the State and then be appropriated back to her school district. Representative Darko stated that 95 percent of the land around her district is federally owned, so there is very little property tax base in which to fund their schools and under this plan there would be an increase in mill levies and asked how that would be justified and how can it be called equalization? Dr. Nordtvedt replied that if that is true for her district, he suggested that the Committee try to find out why that discretion is taking place and to try and solve it. He stated that rather than throwing this plan out, to try and find an amendment that would take care of it.

Representative Thomas asked Dr. Nordtvedt that in this bill as Ms. Morton has suggested, the disparity will continue and ignores the spending disparity among the districts. He asked Dr. Nordtvedt to expound on why the BPE and the rest do not feel that disparity is addressed at all in this bill? Dr. Nordtvedt stated that their positions do not show any foundation unless the spending of disparity is some kind of dictatorial elimination on the State where it has mandated the same spending level in the States' equivalent schools. Dr. Nordtvedt stated that the administration has eliminated half of the wealth disparities, which means half of the tax efforts of the taxpayers. He stated that the mill levies are brought more in line with the 540 school districts for supporting a given level of school funding.

Representative Daily asked Dr. Nordtvedt if the Governor's office would support a 104 percent proposal in any plan that is put forth by this Legislature as an amendment to other bills in case this bill is not successful? Dr. Nordtvedt stated that there are two types of high spending districts: 1.) The high spending is correlated with high wealth. Dr. Nordtvedt stated that high disparity is eliminated in this bill, so there will be a strong financial incentive to re-analyze their spending habits and where they want to go in the future. He stated that these high spending districts probably would not spend the 4 percent increase because they would be faced with higher mill levies to support their level of spending, and 2.) The other wealth spending districts are the low wealth districts, but they are high spending by local choice and that choice at the local level is more important in maintaining a high quality education in Montana schools.

Senator Brown asked Mr. Bilodeau to explain why he feels that this bill in regards to spending disparity is driven by the disparity in wealth and why does he disagree that this bill does not address this issue? Mr. Bilodeau replied that it is best explained in regards to the lawsuit. He stated that the plaintiffs had presented evidence of three factors affecting school spending in inequity: 1.) Tax Wealth; He stated that there is considerable difference in taxable value per student from district to district. 2.) Tax Effort; Millage effort being made on behalf of the students, and 3.) Spending Disparity; Evidence showing the results of the combination of the first two factors. He stated that Judge Loble explicitly in his decision reviews "that evidence measures the relative importance of each of the factors and comes to the conclusion that the most appropriate measure is student spending and inequities in student spending that they are the measure by which equal educational opportunity should be judged". He stated that spending disparity turns into denial of equal educational opportunity, and that translates into a denial of the Constitutional protected rights. Mr. Bilodeau stated that is the critical issue that is before Legislature today.

Mr. Bartos, Counsel from the Governor's office, stated that he was one of the attorneys that defended the state of Montana in the equalization lawsuit. He stated that the development of the plaintiff's case for the six week trial had centered on the taxable valuation issue. Dr. Augenblut who was associated with the Education Commission of the States and later Dr. Wise had emphasized to the court that the disparity of wealth translates into the disparity of per pupil expenditures. Mr. Bartos quoted page 14 of the Supreme Court's decision "while this opinion discusses spending disparities so far as pupils are concerned we do not suggest that financial considerations of that type are

the soul elements of a quality education or equal educational opportunity".

Representative Schye asked Dr. Nordtvedt how he arrived at the justification of centrally assessed taxes on farm equipment in the 80/20 split? Dr. Nordtvedt replied that there are some classes of personal property where they were trying to get at the heavy industrial machinery and stated that there needs to be a decision as to what properties belong to the State tax base for equalization and what properties belong to the local tax base to support the local voted levy.

Senator Brown asked Mr. Melby to comment on Mr. Bartos previous comments regarding the Supreme Court's decision. Mr. Melby replied if that is the thread that this bill and HB 39 are hanging on, then it is a thin thread and stated that is a quote taken out of context. Mr. Melby quoted the rest of the paragraph of the Supreme Court decision where Mr. Bartos had left off, "there are a number of additional factors that are a significant part of the education of each person in Montana including but not limited to such elements as individual teachers, classroom size, support of parents of students and the desire and motivation on the part of the student which moves him or her to seek earnestly after an education". Mr. Melby stated that Mr. Bartos' comments on the other elements do not have anything to do with the financing of education, but rather the intangibles.

Closing by Sponsor: Representative Hannah closed stating that the legislators have to be careful in equalizing the funding for the school districts because they could damage other parts of the community and the economy of the state of Montana.

#### HEARING ON SENATE BILL 20

Presentation and Opening Statement by Sponsor:

Senator Nathe, Senate District 10, opened stating that SB 20 is basically SB 203 after it came back from the House to the Senate after the regular session. He stated that one of the changes in SB 20 compared to SB 203 is that mandatory kindergarten is out; the retirement has been placed in the general fund with Representative Eudaily's amendment which is; if the retirement exceeds 10 percent of the scheduled amounts there will be a mandatory levy imposed without the vote of the people to make up the difference. Senator Nathe stated that these are the basic changes from SB 203. Senator Nathe stated that for the funding source side of this bill he used SB 468, as introduced by Senator Hart. This bill has only 75 mill levies mandatory compared to 100 mills in SB 203. In addition to the funding, the soft side of the Coal Tax money will not go into the permanent Trust Fund. The 10-12 percent is not touched that goes to reconstruction of the Highways Trust acct., libraries, soil

conservation districts, renewable resource revenue account (Special Development acct). Senator Nathe stated that the total of that money from the other sources totals only about \$500,000 for the biennium. He stated that it cannot be touched because it is used to back water development bonds and the amount that is not used for the water development bonds is used in direct grants for renewable resource projects, e.g, Gallatin Park in Bozeman was prioritized by the Long Range Building Committees. Senator Nathe offered an amendment for using the soft side of the Coal Tax money. (See EXHIBIT 14). On the permanent side of the trust the interest and the income are taken off of the 15 percent and diverted into the Education Trust acct. Senator Nathe stated that the funding of this bill, the 75 mills, the 10 percent income tax surcharge and the money from the soft side of the Coal Trust tax would leave this bill about \$40 million short of being balanced. Senator Nathe stated that this bill does not provide for the 4 percent for the Foundation Program that Representative Schye's HB 6 calls for or the 2 percent increase in the other plans, e.g., Senator Mazurek's bill.

Testifying Proponents and Who They Represent:

Janelle Fallan, Executive Director Montana Petroleum Association  
Ray Kountz, Helena  
Buck Taylor, Chairman of Saco School Board  
Calvin Moore, Superintendent of Medicine Lake Schools  
Robert Windel, School Administrators of Montana  
Eric Feaver, MEA  
Terry Minow, MFT  
Pat Melby, Attorney for the plaintiffs in the under-funded lawsuit

Proponent Testimony:

Ms. Fallan stated her support for SB 20, and felt that her concerns are addressed in Senator Gage's amendment to this bill.

Mr. Kountz stated his support for funding education, but felt that the level of funding is too low.

Mr. Taylor stated that he does not want their school funding taken away and given to someone else. He stated that there has been good support in his community in passing local levies and would like to see that local control stay there. Mr. Taylor stated that if the Legislature took away that control that more problems would be created.

Mr. Moore stated that the problem stems from the court mandate to equalize funding for education based on the number of dollars spent per pupil on education. Mr. Moore stated that a larger portion of the local funding for the schools has had to come from the local level and the portion of the

State funding that is funded through the Foundation Program has been continually declining to a level that in order for the people of Montana to provide for a better quality education have had to go to the local level. (See Exhibit 14.)

Testifying Opponents and Who They Represent:

Nancy Keenan, Superintendent, OPI  
Robert Windel, Superintendent of Havre Schools  
Eric Feaver, MEA  
Terry Minow, MFT  
Pat Melby, Attorney for the plaintiffs in the under-funded lawsuit

Opponent Testimony:

Superintendent Keenan stated that she is speaking as a soft opponent. She pointed out several issues: 1.) Senator Nathe's bill funds 90 percent of the 1988 expenditures, so that means that those local districts will have to rely on local levies to get at where they were in 1988, and 2.) the 75 mills is too low and how would the difference be made up at the State level. She stated that there is a \$85 million shortfall that has to be found. She stated that this bill allows school districts to spend up to 130 percent of the Foundation Schedules combined with the 90 percent funding which will mean more local effort.

Mr. Windel stated his concerns with SB 20 and reiterated three of the issues: 1.) The school administrators are concerned about the inadequate funding level, 2.) the revenue source reliability, and 3.) the retirement costs being in the general fund.

Mr. Feaver stated his opposition of the bill, but felt it could be a start if added to other plans.

Mr. Moerer reiterated the previous testimonies of the opponents. Mr. Moerer stated that the best way to help the school districts is with an adequate funding level of the 1988 expenditures.

Ms. Minow urged the Committees to address the funding levels. She stated that the bottom line is that the schools of Montana must be adequately funded.

Mr. Melby stated his opposition and stated that this bill is so close, but so far away.

Questions From Committee Members: Representative Daily asked Senator Nathe about the figure for transportation on the spreadsheet is \$11.6 million in the bill and during the regular session on SB 203 it was stated that \$17.9 million was needed for transportation and asked Senator Nathe why



the difference? Senator Nathe replied that \$6.9 million had been placed into transportation in the Subcommittee for Education in HB 100, and the Select Committee on Education had appropriated about \$11.3 million. Senator Nathe stated that the total spent for transportation in 1988 was \$28 million. (See EXHIBIT 15).

Representative Eudaily asked Mr. Windel to explain why school administrators are so adamant about the retirement being out of the general fund? Mr. Windel replied that a lot of the teachers throughout Montana are career teachers and that is a fixed cost.

Representative Simpkins asked Mr. Taylor that under SB 7, the local mill levy will go up 20-22 percent over what is being paid at this time and it will raise it to 120 mills, and a 10 percent surcharge on all incomes, and asked Mr. Taylor what he thought of the 120 mills and the extra to be taken by the State to be distributed and the 10 percent income surcharge? Mr. Taylor stated that he did not know how many mills it would take to fund the educational system in Montana, but knew that it would take more than 75 mills.

Senator Blaylock asked Senator Nathe what would happen if his 75 mills were to be raised to 120 mills? Senator Nathe replied that out of the 75 mills that would be mandatory, 45 mills is imposed on property without the peoples' vote by the school board authorized by the state of Montana plus 10 permissive mills without the vote of the people to make it a total of 55 mandatory mills. Senator Nathe stated that he adopted the mandatory 75 mills in his bill because of the impact on oil and gas. He stated that if something could be worked out on the net gross proceeds to the satisfaction of those counties and school districts so their taxable valuation is not wiped out and stated that he was watching out for his district when he set the 75 mandatory mills, but does not have a problem to adjust the 75 mills if the high mandatory millage can be worked out on the old net proceeds that are causing a sever impact in the oil and gas industry.

Senator Blaylock asked Senator Nathe about the 15 percent he is going to take that has been flowing into the Education Trust, and up the millage, would he be amiable to putting 2 percent of that 15 percent back into the Education Trust that had been taken out in 1986? Senator Nathe stated that he did not have a problem with that.

Senator Farrell asked Senator Nathe if it were true that this bill would be \$40 million short a year? Senator Nathe stated that this bill would raise \$113 million by not taking the Education Trust and keeping the mills at 75. Senator Nathe stated that if they went to Ramirez/Kadas's bill on the Guaranteed Tax Base there would be \$30 million from that and implement the 75 mandatory mills this year would take care of the shortfall, but he did admit that this bill would

SENATE COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

June 22, 1989

Page 18 of 18

be short \$80 million a year.

Closing by Sponsor: Senator Nathe closed stating that the core concept in all four of the "education bills" comes from SB 203. Senator Nathe acknowledged the school superintendents from eastern Montana went throughout the State to help develop this plan. Senator Nathe stated that this plan is the low cost one for the people in Montana, but the State will have to put in more dollars.

The House and Senate Education Committees were adjourned.

ADJOURNMENT

Adjournment At: 5:30 p.m.

  
SENATOR H.W. HAMMOND, Chairman

HH/cj-jj

ROLL CALL

EDUCATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1989

Date 6/22/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR ANDERSON	✓		
SENATOR BROWN	✓		
SENATOR BLAYLOCK	✓		
SENATOR FARRELL	✓		
SENATOR REGAN	✓		
SENATOR NATHE	✓		
SENATOR PINSONEAULT	✓		
SENATOR MAZUREK	✓		
SENATOR HAMMOND	✓		

Each day attach to minutes.

# DAILY CALL VOTE

EDUCATION AND CULTURAL RESOURCES

COMMITTEE

DATE 6-22-89

NAME	PRESENT	ABSENT	EXCUSED
REP. SCHYE, CHAIRMAN	✓		
REP. DAILY, VICE-CHAIRMAN	✓		
REP. COBB	✓		
REP. COCCHIARELLA	✓		
REP. DARKO	✓		
REP. DAVIS	✓		
REP. EUDAILY	✓		
REP. GERVAIS	✓		
REP. GLASER	✓		
REP. GRINDE	✓		
REP. HARRINGTON	✓		
REP. JOHNSON	✓		
REP. KIMBERLEY	✓		
REP. KILPATRICK	✓		
REP. NELSON	✓		
REP. PECK	✓		
REP. PHILLIPS	✓		
REP. SIMPKINS	✓		
REP. SPRING, JR.	✓		
REP. STANG "SPOOK"	✓		
REP. THOMAS	✓		
REP. WALLIN	✓		
REP. WYATT	✓		
REP. ZOOK	✓		

SENATE STANDING COMMITTEE REPORT

June 23, 1989

MR. PRESIDENT:

We, your committee on Education and Cultural Resources, having had under consideration SB 17 (first reading copy -- white), respectfully report that SB 17 do pass.

DO PASS

Signed: \_\_\_\_\_  
H. W. Hammond, Chairman

09/10/23-84  
6:45

scrib017.623

DATE

6/22/89

BILL NO.

5817

## TAXABLE VALUES OF CITIES AND TOWNS

	1987	1988		1987	1988
Alberton .....	\$ 169,294	\$ 164,251	Joliet .....	\$ 482,930	\$ 437,420
Anaconda .....	4,396,558	4,326,286	Jordan .....	345,095	301,935
Bainville .....	211,171	176,781	Judith Gap .....	98,409	94,837
Baker .....	1,966,963	1,728,228	Kalispell .....	17,394,331	17,867,419
Bear Creek .....	35,979	52,653	Kevin .....	92,949	89,184
Belgrade .....	2,805,895	2,741,436	Laurel .....	5,940,473	5,430,218
Belt .....	329,524	359,230	Lavina .....	126,894	136,576
Big Sandy .....	671,851	676,282	Lewistown .....	4,959,899	4,872,051
Big Timber .....	1,741,664	1,742,187	Libby .....	3,219,984	3,066,899
Billings .....	130,424,574	123,083,321	Lima .....	175,395	162,767
Boulder .....	672,833	662,566	Livingston .....	7,917,460	7,606,284
Bozeman .....	23,712,379	23,605,800	Lodge Grass .....	191,574	163,819
Bridger .....	627,581	596,645	Malta .....	2,526,832	2,208,165
Broadus .....	715,419	620,440	Manhattan .....	910,803	879,433
Broadview .....	157,122	141,977	Medicine Lake .....	262,760	224,973
Brockton .....	84,162	72,765	Melstone .....	146,507	111,043
Browning .....	367,214	419,178	Miles City .....	8,239,133	7,110,391
Butte .....	0	0	Missoula .....	47,170,823	45,980,257
Cascade .....	505,486	492,954	Moore .....	204,420	189,469
Chester .....	686,215	821,631	Nashua .....	306,987	252,061
Chinook .....	1,308,640	1,258,462	Neihart .....	188,151	142,617
Choteau .....	1,681,672	1,505,039	Opheim .....	143,872	118,797
Circle .....	918,475	769,122	Outlook .....	84,925	74,497
Clyde Park .....	207,949	204,991	Phillipsburg .....	599,189	588,628
Columbia Falls .....	3,339,147	3,715,617	Pinesdale .....	140,368	133,403
Columbus .....	1,753,412	1,862,623	Plains .....	869,274	921,503
Conrad .....	2,819,407	2,505,765	Plentywood .....	2,440,182	2,101,265
Culbertson .....	710,543	617,730	Plevna .....	99,667	86,837
Cut Bank .....	3,526,890	3,434,164	Polson .....	3,370,304	3,370,014
Darby .....	493,861	481,659	Poplar .....	602,593	543,721
Deer Lodge .....	2,547,304	2,605,088	Red Lodge .....	2,540,722	2,383,079
Denton .....	279,900	271,706	Rexford .....	59,732	57,261
Dillon .....	3,437,910	3,398,511	Richey .....	248,260	217,943
Dodson .....	106,223	89,671	Ronan .....	1,354,930	1,363,588
Drummond .....	291,757	281,786	Roundup .....	1,686,622	1,543,212
Dutton .....	309,161	307,034	Ryegate .....	200,428	194,653
East Helena .....	3,475,494	3,288,468	Saco .....	189,580	166,169
Ekalaka .....	307,519	263,378	Scobey .....	1,233,663	1,070,439
Ennis .....	924,231	963,958	Shelby .....	2,581,955	2,566,992
Eureka .....	841,197	821,185	Sheridan .....	496,907	371,689
Fairfield .....	630,466	629,217	Sidney .....	5,943,801	5,071,532
Fairview .....	749,881	669,782	Stanford .....	400,168	331,519
Flaxville .....	93,328	80,417	Stevensville .....	1,106,252	1,112,959
Forsyth .....	2,415,426	2,091,276	St. Ignatius .....	328,071	325,873
Fort Benton .....	1,469,585	1,446,141	Sunburst .....	301,903	284,701
Fort Peck .....	92,274	140,343	Superior .....	836,511	788,574
Froid .....	219,263	194,611	Terry .....	648,097	548,050
Fromberg .....	331,230	306,605	Thompson Falls .....	1,101,048	1,029,412
Geraldine .....	273,575	284,360	Three Forks .....	1,008,408	961,385
Glasgow .....	3,984,250	3,545,623	Townsend .....	1,455,818	1,414,128
Glendive .....	7,411,992	6,640,999	Troy .....	731,461	670,878
Grass Range .....	68,016	71,343	Twin Bridges .....	641,415	639,397
Great Falls .....	54,497,969	53,307,790	Valier .....	531,390	532,221
Hamilton .....	3,831,158	3,863,271	Virginia City .....	210,210	213,378
Hardin .....	3,188,134	2,765,970	Walkerville .....	219,258	229,270
Harlem .....	684,760	659,647	Westby .....	135,441	136,436
Harlowton .....	765,086	761,634	West Yellowstone .....	1,725,120	1,748,398
Havre .....	9,413,237	9,154,014	Whitefish .....	5,936,120	6,130,398
Helena .....	34,544,320	35,035,491	Whitehall .....	846,692	824,889
Hingham .....	200,852	200,781	White Sulphur Springs .....	807,973	773,185
Hobson .....	184,961	120,983	Wibaux .....	529,844	463,468
Hot Springs .....	299,753	274,579	Winifred .....	89,203	88,211
Hysham .....	262,105	240,288	Winnett .....	97,333	94,229
Ismay .....	33,498	27,802	Wolf Point .....	2,238,141	1,973,638
			Total .....	\$ 472,342,927	\$ 455,231,172

SURVEY RE HOURS OPEN  
June 16, 1989

First Class Cities

SENATE EDUCATION

EXHIBIT NO. 2

DATE 6/22/89

BILL NO. 5817

City/Town	Hours and days open	Impacts of AG Opinion
Anaconda/Deer Lodge	8-5, Monday-Friday, except City-County Treasurer, 9-5	No immediate impact on most offices; would require rescheduling of employees to open Treasurer's window at 8 a.m.
Billings	8-5, Monday-Friday	No immediate impacts
Bozeman	8-5, Monday-Friday, except for certain offices closed 12-1	No immediate impact for most offices; some would require rescheduling of employees to remain open during lunch hour
Butte/Silver Bow	8-5, Monday-Friday	No immediate impacts
Great Falls	8-5, Monday-Friday	No immediate impacts
Havre	8-5, Monday-Friday	No immediate impacts
Helena	8-5, Monday-Friday, except for some offices closed 12-1	No immediate impact on some offices; some would require rescheduling of employees to remain open during lunch hour
Kalispell	8-5, Monday-Friday	No immediate impacts
Missoula	8-5, Monday-Friday	No immediate impacts

SURVEY RE HOURS OPEN

June 16, 1989

Second Class Cities

City/Town	Hours and days open	Impacts of AG Opinion
Glendive	8-12, 1-5 Monday-Friday	Stagger employees' lunch hours to remain open from 12 to 1
Lewistown	8-5, Monday-Friday	No immediate impacts
Livingston	8-5, Monday-Friday	No immediate impacts
Miles City	8-5, Monday-Friday	No immediate impacts



## SURVEY RE HOURS OPEN

June 16, 1989

## Third Class Cities

City/Town	Hours and days open	Impacts of AG Opinion
Baker	8-5, Monday-Friday	No immediate impacts
Belgrade	8-5, Monday-Friday	No immediate impacts
Big Timber	8-5, Monday-Friday	No immediate impacts
Chinook	8-12, 1-5 Monday-Friday	Stagger employees' lunch hours to keep office open during lunch hour
Choteau	8-12, 1-5 Monday-Friday	Stagger employees' lunch hours to keep office open during lunch hour
Columbia Falls	8-5, Monday-Friday	No immediate impacts
Conrad	8-5, Monday-Friday	No immediate impacts
Cut Bank	8-5, Monday-Friday	No immediate impacts
Deer Lodge	8-5, Monday-Friday	No immediate impacts
Dillon	8-5, Monday-Friday	No immediate impacts
East Helena	9-5, Monday-Friday	Change employees' hours to open office an hour earlier
Fairview	8-12, 1-5 Monday-Friday	Would require hiring part-time help to cover lunch hour, which would involve more than one hour per day. Don't know where funding would come from; things now that cannot be funded because of I-105.
Forsyth	8-12, 1-5 Monday-Friday	Will require hiring part-time person. With general fund and utilities, reserves are low; hard to say if possible to fund position
Fort Benton	8-12, 1-5 Monday-Friday	Reschedule employees' hours to remain open or hire part-time help; rebudget to cover costs.
Glasgow	8-12, 1-5 Monday-Friday	Reschedule employees' hours to remain open during lunch hour
Hamilton	8-5, Monday-Friday	No immediate impacts
Hardin	8-12, 1-5, Monday-Friday	Stagger employees' hours to cover lunch hour
Harlem	8-4, Monday-Friday	Only one employee; would have to pay overtime to keep office open one additional hour each day

SURVEY RE HOURS OPEN  
June 16, 1989

Third Class Cities

City/Town	Hours and days open	Impacts of AG Opinion
Harlowton	8-12, 1-5 Monday-Friday	Would require part-time help to cover lunch hours and when out of town; average \$100/month. Don't know how would cover those additional costs.
Laurel	8-5, Monday-Friday	No immediate impacts
Libby	8-5, Monday-Friday	No immediate impacts
Malta	8-5, Monday-Friday	No immediate impacts
Plentywood	8-12, 1-5 Monday-Friday	Would require hiring extra help at a cost of \$4.50/hour for 10 hours per week; pay from General Fund
Polson	8-5, Monday-Friday	No immediate impacts
Poplar	9-5, Monday-Friday	Change scheduling to cover hours
Red Lodge	8-12, 1-5 Monday-Friday	Stagger lunch hours to keep office open during noon hour
Ronan	8:30-4:30, Monday-Friday, sometimes closed during lunch	Part-time help works 92 hours per month. Would require rescheduling of help; and would probably result in cutting other expenses
Roundup	8-12, 1-5 Monday-Friday	Stagger lunch hours, or hire part-time employee. Could not fund any additional personnel.
Scobey	8-11, 12:30-5 Monday-Friday	Change employees' hours to cover the additional time open
Shelby	8-5, Monday-Friday	No immediate impacts
Sidney	8-5, Monday-Friday	No immediate impacts
Three Forks	8-12, 1-5 Monday-Friday	Change in scheduling so that part-time employee covers lunch hour
Townsend	8-5, Monday-Friday	No immediate impacts
Troy	8-5, Monday-Friday	No immediate impacts
Whitefish	8-5, Monday-Friday except on occasion	No immediate impacts
White Sulphur Springs	8-5, Monday-Friday	No immediate impacts
Wolf Point	8-5, Monday-Friday	No immediate impacts

## SURVEY RE HOURS OPEN

June 16, 1989

## Towns

City/Town	Hours and days open	Impacts of AG Opinion
Alberton	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Bainville	PHONE DISCONNECTED.	
Bearcreek	Not open at all-- office in home	Open first Saturday of month to collect water and sewer revenue. To meet this would require hiring of full-time employee at \$10,000. Would probably have to disincorporate.
Belt	9-12, 1-5 Monday-Friday	Have two part-time clerks. Would require additional two hours pay each day. Would completely deplete the reserves to cover expenditures from July to November.
Big Sandy	No office hours	Works out of home part-time--80 hours/month. Would cost more than twice current costs to keep office open.
Boulder	8-12, 12:30-4:30 Monday-Friday	Hire half-time person or pay overtime to single employee. Could probably cover costs through rebudgeting.
Bridger	9-3:30 Monday-Friday 1st thru 10th; 3 afternoons/week for remainder of month	Extend hours at \$250/month. Could not pay for additional costs.
Broadus	8-12; 1-5 Monday-Friday	Additional hours = \$80/week at least. Probably fund with utility systems and raise rates--making public not happy.
Broadview	Office in home.	Goes to town hall when called. Cost \$8,000 to \$10,000. Don't have money--maxed at mills.
Brockton	10-5, Monday-Thursday	Not enough work for full-time; not necessary. Do not have money to keep the office open 5 days a week.
Browning	8-12, 1-5 Monday-Friday	Stagger hours to comply. Cannot afford to budget for overtime.
Cascade	9-5, Tuesday & Thursday	Would require full-time employee @ \$7,000 additional cost. Would cause rebudgeting.

SURVEY RE HOURS OPEN  
June 16, 1989

Towns

City/Town	Hours and days open	Impacts of AG Opinion
Chester	8-12, 1-5 Monday-Friday	Hire part-time employee to cover vacations/sick leave. Times when office is currently closed and answering machine is on. Cannot afford to pay more wages.
Circle	8-12, 1-5 Monday-Friday	Hire part-time help. Not sure how to cover costs. Reserves not adequate for present responsibilities.
Clyde Park	8:30-12, 1-3:30 Monday & Tuesday	Would be boring with nothing to do. Don't know how would pay additional costs.
Columbus	8-12, 1-5 Monday-Friday	Add part-time person @ \$2,000/year. Don't know how would fund--would require cutting something else.
Culbertson	8-12, 1-5 Monday-Friday except when Clerk is gone	Would require hiring additional help @ \$4.50/hour. Monies would be taken from General Fund to cover additional costs.
Darby	10-2, Monday-Friday	Require full-time plus part-time employee at cost of at least \$7,000. With present tax freeze, budget is stretched to limit; utilities are unable pay any additional costs. Workload does not deem the added hours.
Denton	9-12, 1-5 Monday-Friday	Cost \$125/month. Don't know how to fund at this time.
Dodson	No set hours	No office. Works part-time, often on weekends.
Drummond	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Dutton	8-1, Monday-Thursday	Works 115 hours/month presently. Would cost additional \$10,000. Maxed out on I-105, and utilities are at limit for debt retirement. Must pay fixed costs, i.e., MPC. Have been cutting services regularly to meet existing costs. Would require State funding to support additional hours.
Ekalaka	8-12, 1-5 Monday-Friday	Extend utility clerk and secretary hours at cost of \$100/month. General Fund cannot stand any additional expenditures, therefore utility fund must absorb.

SURVEY RE HOURS OPEN  
June 16, 1989

Towns

City/Town	Hours and days open	Impacts of AG Opinion
Ennis	8-12, 1-5 Monday-Friday, except during banking, trips to Post Office, or other items that take clerk from office	This is a one-man office, with no one to cover during those times when she is gone for various reasons. When she is on vacation or at school, the office is closed until her return. A half-time person would be required to address the AG opinion, at an approximate annual cost of \$10,000. The Town has no way to fund the additional costs, since the mill levy is maxed under I-105; and the utilities are bearing all of the costs they can absorb. The only way to cover the costs would be through cuts in services.
Eureka	8-5, Monday-Friday	No immediate impact
Fairfield	1-5, Monday-Friday	Actual works 8-5, but this would require hiring half-time person to answer phone and counter at \$6,000/year. Also, office is one large area, so partitions would be necessary for privacy. Cannot exceed 65 mills in General Fund. Hiring additional personnel would cause decrease in services in other areas. Opinion didn't go over well in community. Suggests should be regulations for being open at specific times; however, local governments should be allowed to set own hours.
Flaxville	No set hours	No response.
Fort Peck	8-12, 1-5 Monday-Friday	Change scheduling; pay overtime or hire additional part-time help. Funding source is unknown.
Froid	No set hours	No town hall. Bank collects utility bills. Has office in her home. Works full-time as teacher. Would not have work to do most of the time if open 8-5. Valuation has dropped, as well as population. To meet this would put the town out of business.
Fromberg	9-4, Monday-Thursday	Increase hours or add part-time person. Don't know how would fund.
Geraldine	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Grass Range	No set hours	Works as needed. Would require hiring full-time person at \$12,000/year. Couldn't pay for it.
Hingham	No specific hours	Office open about 10 hours/month; remainder of work done at clerk's home. She works approximately total of 30 hours/month. Town office is in another business establishment (individual is on Council).

SURVEY RE HOURS OPEN  
June 16, 1989

Towns

City/Town	Hours and days open	Impacts of AG Opinion
Hobson	No set hours and no city hall	Business is done in home. Would require full-time employee at \$10,000/year. Couldn't pay for it.
Hot Springs	8-4, Monday-Wednesday 8-12 on 3 Thursdays, others 8-4, 8-3, Friday	Work load not enough to keep open 40 hours/week. Additional cost \$3,500/year (12.73 mills). No idea where additional money would come from as there are no new revenue sources.
Hysham	8-12, Monday-Friday	Would break town. Too much cost involved.
Ismay	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Joliet	9-4, Monday 9-12, Tuesday 9-4, Wednesday 9-12, Thursday	Would require rearranging hours and paying for additional hours. Has no idea how would fund.
Jordan	8-12, 1-5 Monday-Friday	Contract with local real estate agent to use their office and contract with agent to do city business.
Judith Gap	PHONE DISCONNECTED.	
Kevin	9-12, 12:30-4:30 Monday-Friday	Would require pay for additional 2 hours/day at cost of \$75/week. No funding to cover costs.
Lavina	No set hours	Add person at \$6,000/year. Couldn't pay for it.
Lima	9-4, Thursday	Need more money. Don't know how would comply, except would be through some type of taxation.
Lodge Grass	8-12, 1-5 Monday-Friday Close early when have council meeting	Hire part-time person at \$2,000/year. Couldn't pay for it.
Manhattan	9-12, Monday-Thursday	Not enough work to keep the office open any longer hours.
Medicine Lake	9-12, 12:30-4 Monday-Friday	Add extra help at \$450/month. Pay from the General Fund.
Melstone	No set hours, but open as needed	Change from part-time to full-time at cost of \$6,000/year. Couldn't pay for it.
Moore	10-12, Monday-Friday sometimes 2 hours in afternoon	Expense for full-time employee. Not profitable-- not enough work

SURVEY RE HOURS OPEN  
June 16, 1989

## Towns

City/Town	Hours and days open	Impacts of AG Opinion
Stanford	1 hour on Mondays	Would require full-time employee. Not enough work for full-time person. Town cannot afford additional wages--no funds available.
Stevensville	8-12, 1-5 Monday-Friday	Would require hiring part-time employee to cover lunch hour. Would also eliminate possibility of closure for a day upon Council approval.
Sunburst	8-4, Monday-Friday	Would require overtime pay.
Superior	8-12, 1-5 Monday, Tuesday, Thursday, Friday	Would require cuts in service and personnel. Additional expense would be \$6,500/year. Maxed out on I-105 (1 mill = \$788,574). Have one utility carrying maximum costs. City rents from County--building closed one day each week). Property tax freeze and declining non-property tax revenues make these additional costs a burden to town.
Terry	9-12, 1-4 Monday-Friday	Don't have money for full-time employee. Don't know how could cover additional costs.
Thompson Falls	8-5, Monday-Friday	No immediate impacts
Twin Bridges	10-4, Tuesday-Thursday	Disastrous--cannot afford. Would cost at least twice current expenses. Have no way of raising funds because of maximum levy and having used 12% max on utilities.
Valier	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Virginia City	9-12, Monday-Friday	No idea how would fund additional hours, except maybe through federal funding.
Walkerville	PHONE DISCONNECTED.	
Westby	9-12, 1-5 Monday-Thursday Close office as necessary when gone	Would require drastic changes, including hiring additional help at \$4.50/hour. Monies would be from General Fund.
West Yellowstone	8-5, Monday-Friday	No immediate impacts; conscious decision recently made to Council to keep office open during lunch hours
Whitehall	8-5, Monday-Friday	No immediate impacts

SURVEY RE HOURS OPEN  
June 16, 1989

## Towns

City/Town	Hours and days open	Impacts of AG Opinion
Wibaux	8-12, 1-5 Monday-Friday	Hire someone for lunch hour--at least \$1,728/year. Considering restrictions of I-105, would be very difficult for both utilities and General Fund-- neither have adequate reserves
Winifred	TRIED TO CALL NUMEROUS TIMES. NO ANSWER.	
Winnett	9-3 daily on an average	Add another half-time person at \$6,100/year. Would require an additional 6 mills; however, the freeze is still on.



90/91 School Year Basic Equalization

(Figures in Millions)

SENATE EDUCATION

EXHIBIT NO. 3DATE 9/22/89BILL NO. AB 41

Fiscal 88 Expenditures Base (House Select Committee on Education)	\$ 462
Fiscal 91 Expenditures Base (assuming 10% growth)	\$ 508
80% Equalized From State Schedules (requires 46% increase in schedules)	\$ 407
Present Foundation Program Schedules	\$ 279
<u>New Revenue Needed in Foundation Program</u>	<u>\$ 128</u>
Lottery (\$4) and Increased Share of Vehicle Tax (\$8)	\$ 12
30 New Statewide Mills (85 mill levy) on \$1.53 Billion Taxable Value (Net and Gross Proceeds Excluded)	\$ 46
70 Mill State Equalization Levy on Centrally Assessed, Certain Personal Property, etc., and Equivalent Share of New Flat Tax on Extractive Resources	\$ 70
	<u>\$ 128</u>

**(Amounts in Millions)**



# Office of Budget & Program Planning

## Foundation Program Fact Sheet

### Figures in Millions

#### Revenue Data -----

Foundation Program (Education Trust)	\$14.918
Education Trust Balance	9.575
<b>Total Education Trust Funds</b>	<b>\$24.493</b>
Coal Severance Tax Education Trust Flow	7.583
Lost interest Earnings/Education Trust Diversion	-3.395
Revised Foundation Program Revenue Estimates	11.827
Governor's Pension Reform Proposal	-2.544
<b>Total Funds Available</b>	<b>\$37.964</b>

#### Expenditure Data -----

Costs of Current Level Schedules	
Above Available Earmarked Revenue	\$37.749
<b>Estimated Balance Remaining</b>	<b>\$0.215</b>

#### Footnotes

1) This figures represents the estimated cost of the Governor's pension reform proposal on the foundation program. This proposal would provide a \$12,000 inflation adjusted pension exemption for all state, federal and private pensions.

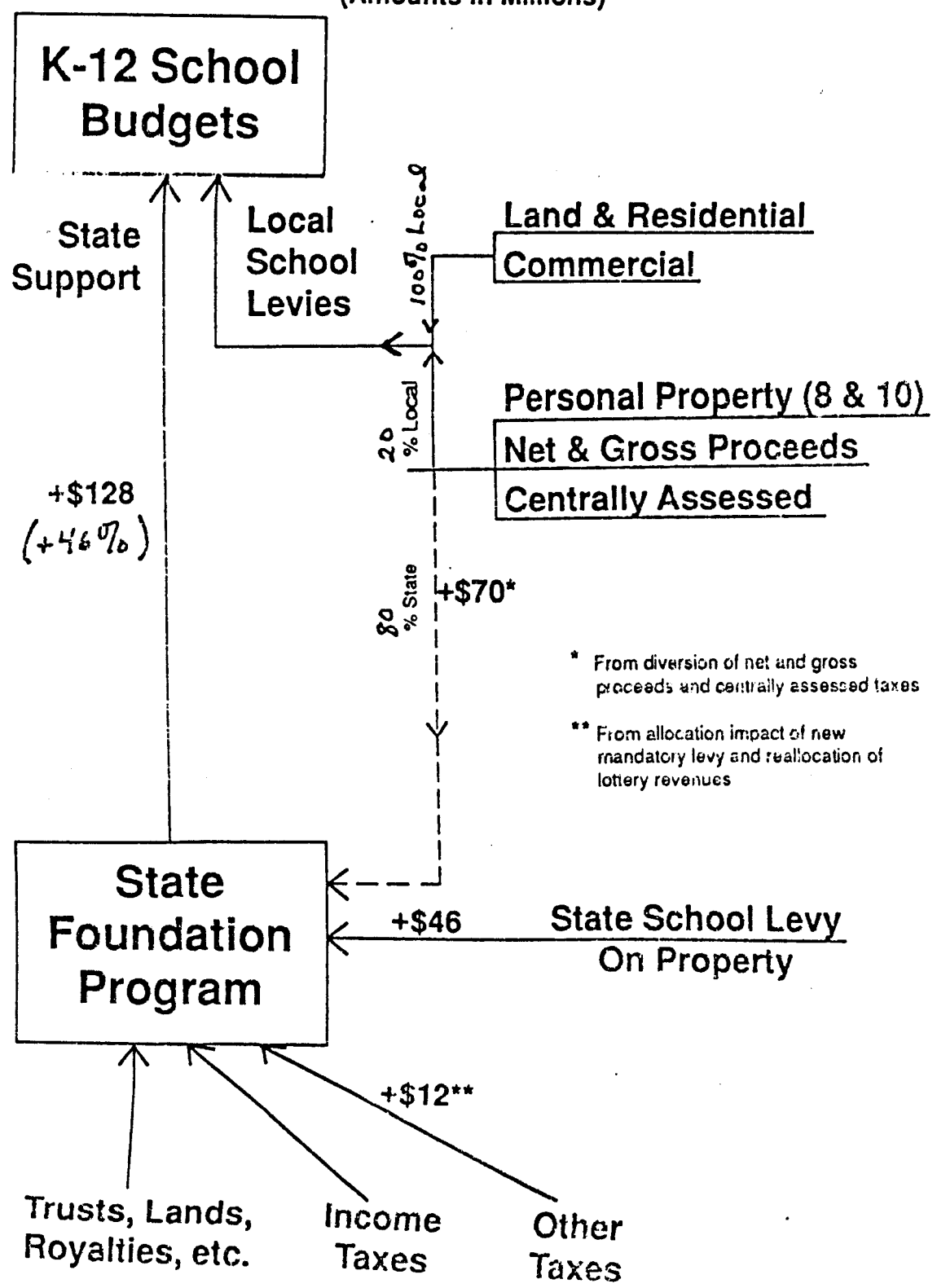
2) The Legislative Fiscal Analyst has estimated the costs of current level schedules above available earmarked revenue to be \$39.58 million. The differences are currently being examined and will be resolved at a later date.

Figure 1

# Equalization of General Fund, Insurance and Retirement

Changes In Equalization Revenue Under Governor's  
Basic Equalization Proposal—1990-91

(Amounts in Millions)



## Effects of Administration's Equalization Bill

Change in Schedules is +46% (\$128 higher than present schedules)

Net Revenue to Foundation Program:

$$TV(\text{unshared}) \times (85/1000) + TV(\text{shared}) \times ((85 + 70)/1000)$$

Net Revenue to School:

$$\text{Schedule} + (TV(\text{unshared}) + .2 TV(\text{shared})) \times (\text{voted levy})/1000$$

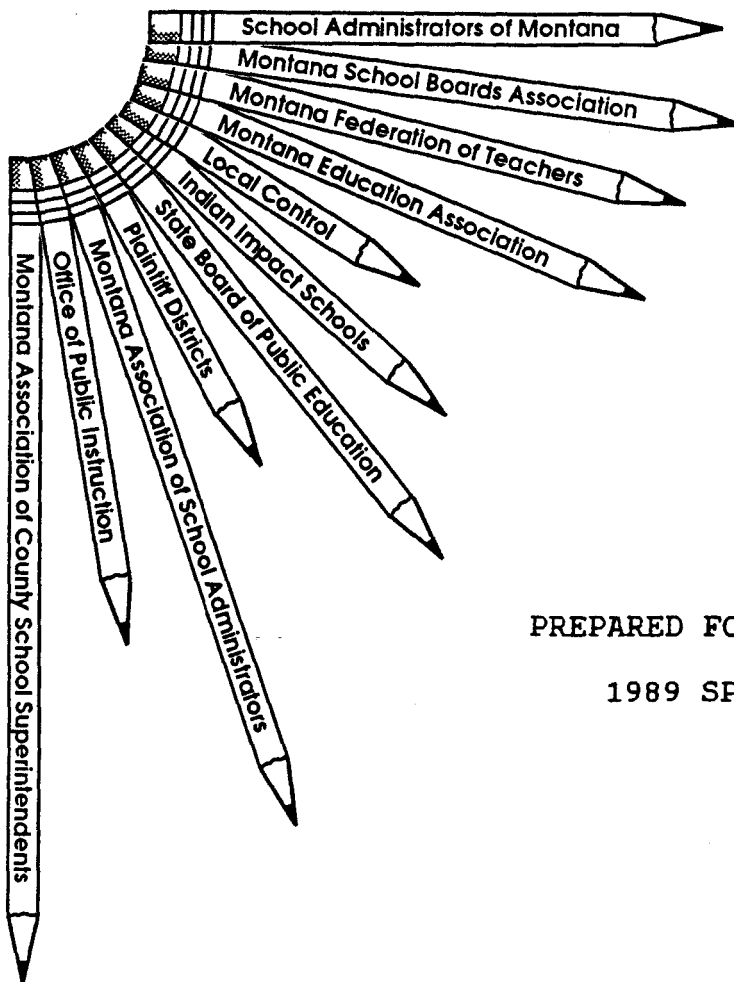
Net Tax on Taxpayers:

$$\text{Unshared Classes: } TV \times ((85 + v.1.)/1000)$$

$$\text{Shared Classes: } TV \times ((85 + 70 + .2 v.1.)/1000)$$

The plan provides state equalization of 88% of the 87/88 base year expenditures for general fund, retirement and insurance; or equivalently 80% state equalization of more realistic 90/91 estimated expenditures for these categories of \$508 million (110% of \$462).

The plan cuts in half the property tax wealth disparities among Montana's school districts, thereby directly addressing the heart of the Court's objections with the present funding system.



SENATE EDUCATION

EXHIBIT NO. 8

DATE 6/22/89

BILL NO. HB 41

JUNE 16, 1989

PREPARED FOR THE MONTANA LEGISLATURE  
1989 SPECIAL LEGISLATIVE SESSION

---

QUALITY EDUCATION & TAXPAYER EQUITY:  
A REVIEW OF MAJOR ISSUES & OPTIONS FOR LASTING EDUCATION  
FUNDING REFORM

---

The Montana Education Community  
1 S. Montana, Helena, MT 59601

"ASSESSING THE EVIDENCE & DECIDING THE ISSUE"

"The evidence clearly and unequivocally established...

large differences, unrelated to "educationally relevant factors," in per pupil spending (presently exist) among the various school districts of Montana...

that wealthier school districts are not funding frills or unnecessary educational expenses...(and that)

discrepancies in spending as large as the ones present in Montana translate...into unequal educational opportunities."

The Court went on to note: "the State failed to submit convincing evidence on the output theory of measurement;" that recent "statewide fiscal difficulties in no way justify perpetuating inequities;" and that "the present system of funding may be said to deny to poorer school districts a significant level of local control, because they have fewer options due to fewer resources."

"We conclude that as a result of the failure to adequately fund the Foundation Program, forcing an excessive reliance on permissive and voted levies, the State has failed to provide a system of quality public education granting to each student the equality of educational opportunity guaranteed under Article X-Section 1 of the Constitution. We specifically affirm...that the spending disparities among the State's school districts translate into a denial of equality of educational opportunity."

"DETERMINING THE LEGAL STANDARD"

ARTICLE X - CONSTITUTION OF THE STATE OF MONTANA (1972)

"SECTION 1. EDUCATIONAL GOALS AND DUTIES"

- (1) It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.
- (2) The state recognizes the distinct and unique cultural heritage of the American Indians and is committed in its educational goals to the preservation of their cultural integrity.
- (3) The legislature shall provide a basic system of free quality public elementary and secondary schools.... It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.

DECISION OF THE SUPREME COURT OF THE STATE OF MONTANA - 1989

"We conclude that...

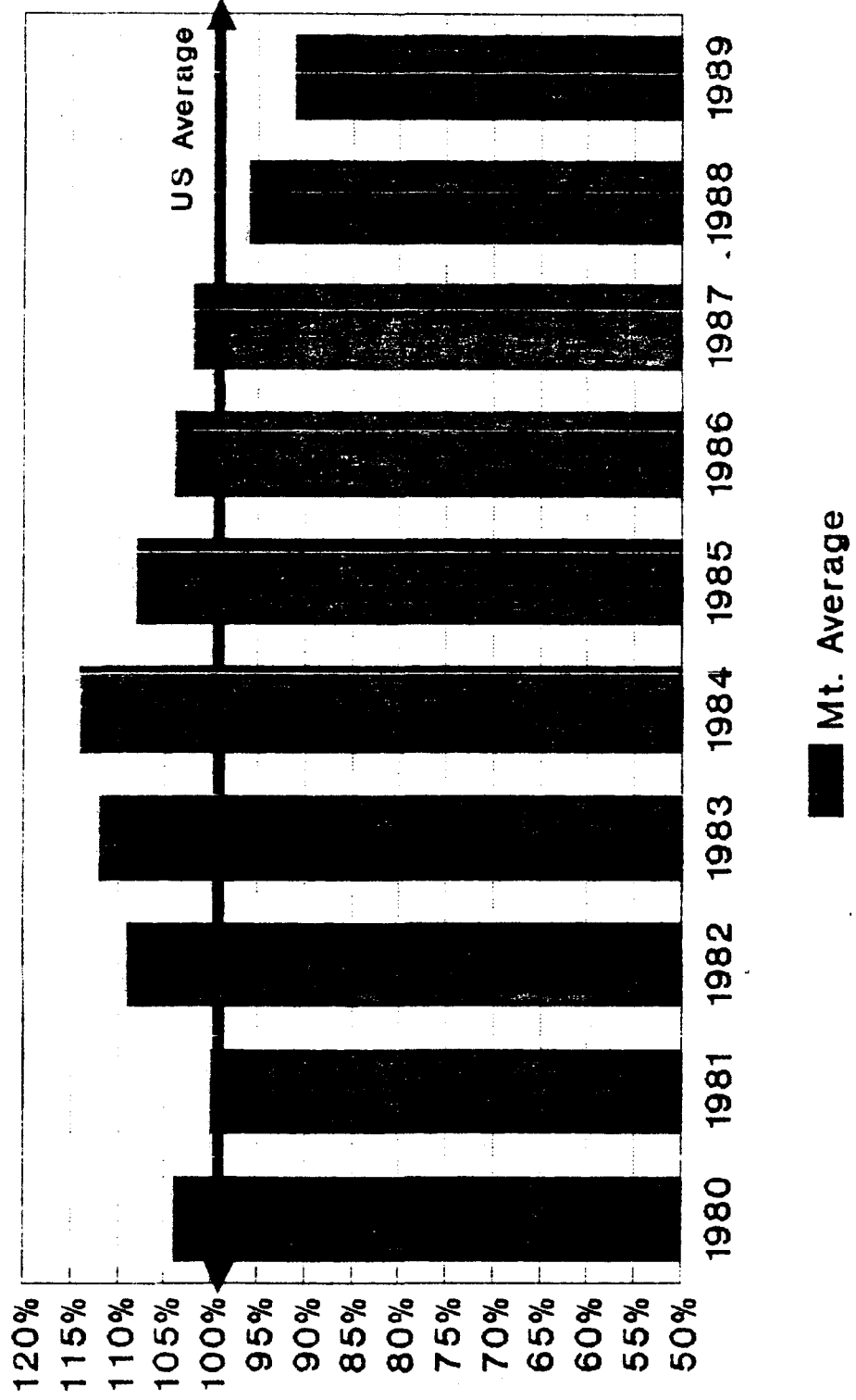
the plain meaning of the second sentence of subsection (1) is that each person is guaranteed equality of educational opportunity...

the guarantee of equality of educational opportunity applies to each person of the State of Montana, and is binding upon all branches of government whether at the state, local or school district level... (and hold)

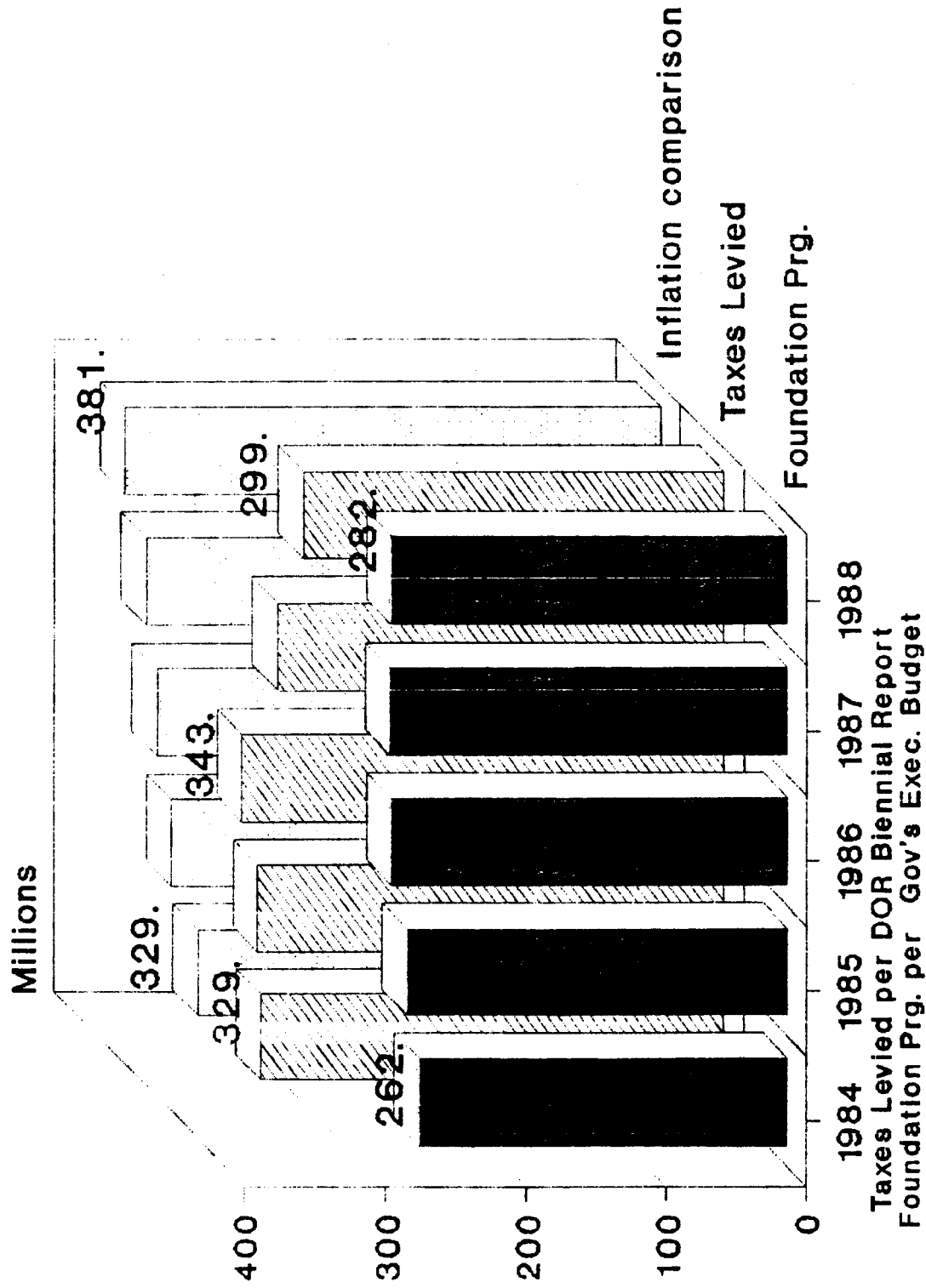
that the last sentence of subsection (3) is not a limiting provision on the guarantee of equal educational opportunity contained in subsection (1)."



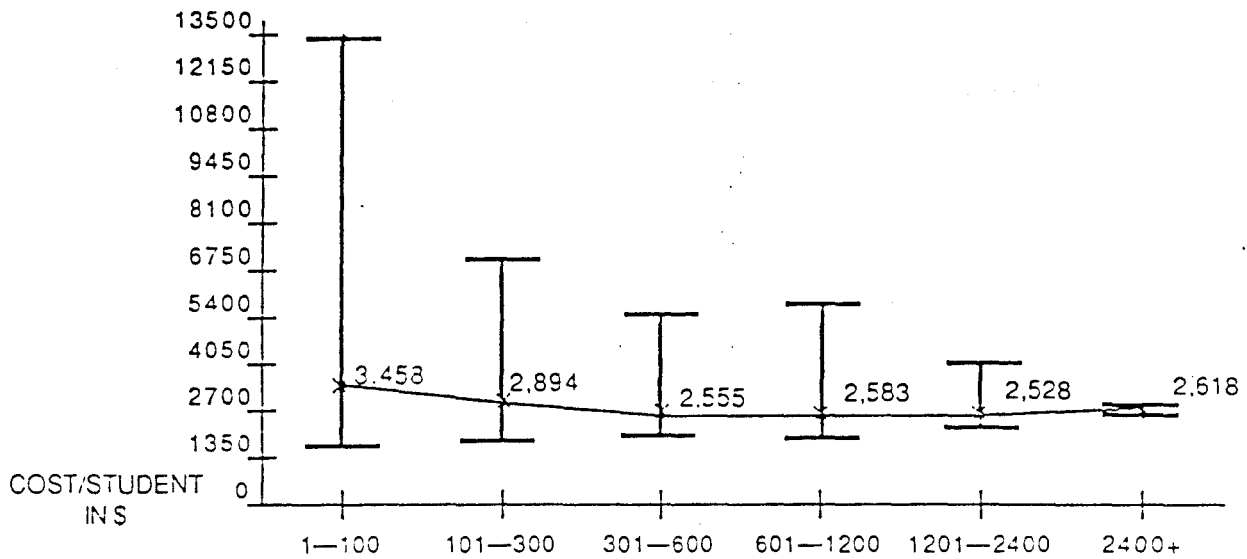
## Comparison-Per Pupil Expenditure Montana as percent of US average



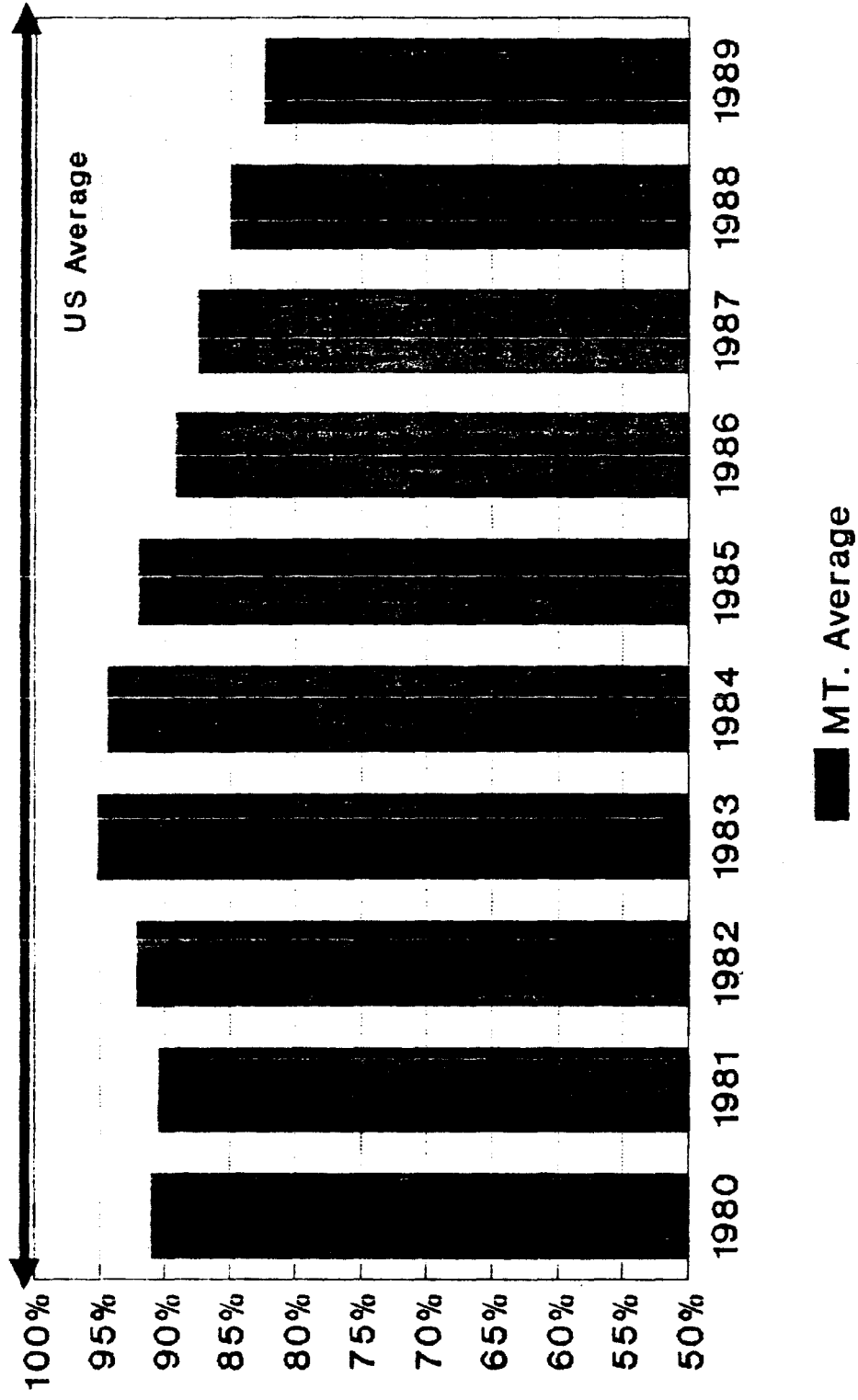
# Taxes Levied/Foundation Program



# FY'87 ELEMENTARY GENERAL FUND EXPENDITURES



# Comparison-Montana Teacher Salaries Montana as percent of US average



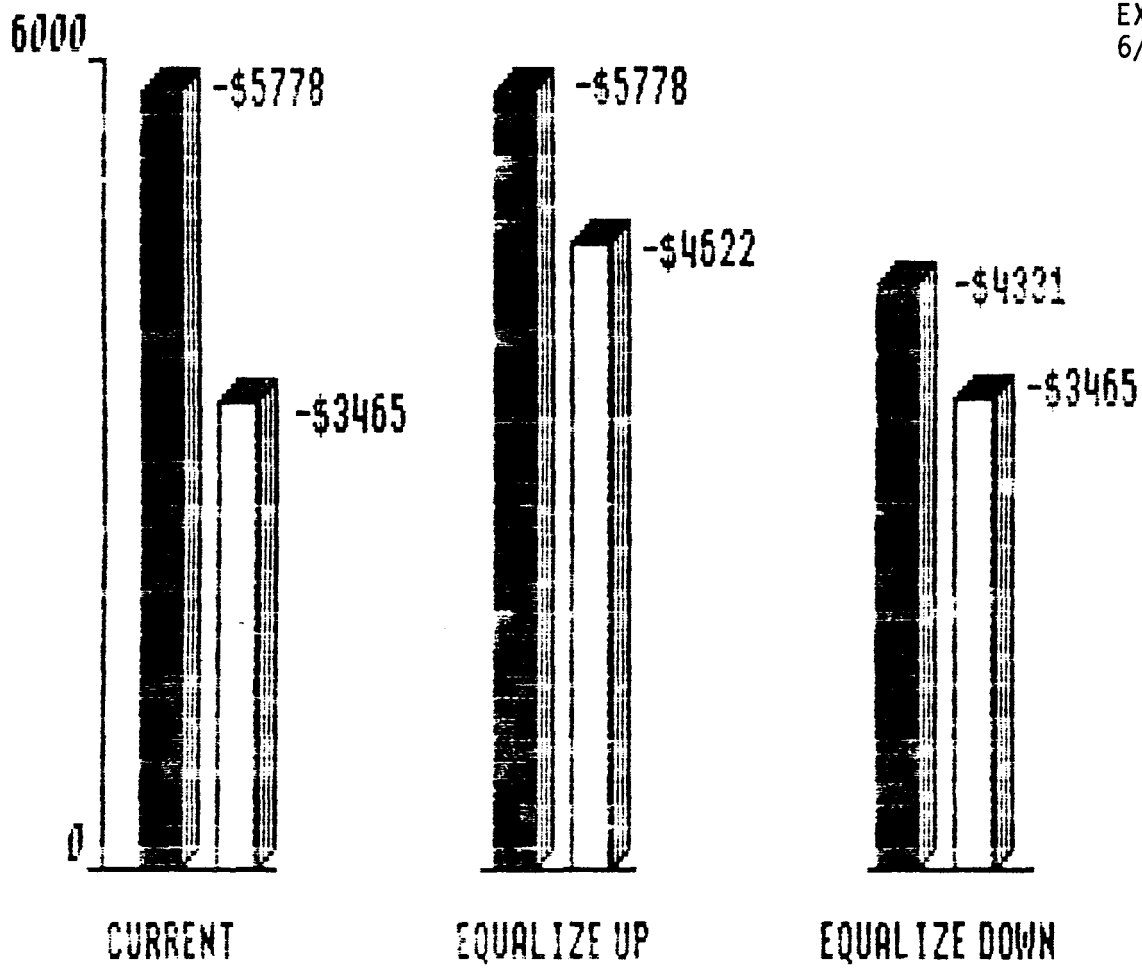
**"MEASURING & REMEDYING EDUCATIONAL FUNDING DISPARITIES"**

While the Montana courts did not specify a particular remedy for rectifying existing spending disparities, both Judge Loble and the Supreme Court, as well as a number of the parties in the case -- including the State at trial -- referenced the "federal spending equity test(s)" as appropriate measurements for determining Constitutional equity. These tests are found in US regulations concerning utilization of federal educational monies.

The most commonly referenced of the federal equity tests is that which compares the level of overall school district current expenditures (i.e. all expenditures except capital and debt costs) per student among districts of roughly the same size. The test eliminates the extremely high and low spending districts in each district size group, and then measures spending disparities between districts at the 95th and 5th percentile of spending. If the result of dividing the spending level of a district at the 95th percentile by spending at the 5th percentile is 1.25 (25%) or less, the "spending disparity ratio" passes the test. If the ratio is greater than 1.25, spending disparity under the system fails the equity test.

In addition to assuring spending equity, a viable remedy must address "taxpayer equity" (taxable value per ANB and millage effort) issues. Again, without specifying a particular level of state equalized funding compared to locally generated unequalized funding, general references have been made by the courts and by all parties to the level of state/local funding established under the original Foundation Program of 1949. Interestingly, the 1949 General Fund state/local "funding split" results in the same 1.25 ratio indicated under the federal spending disparity test. At a minimum, the State should fund 80% of total school spending on an equalized and guaranteed basis while local school districts should assume up to 20% responsibility for raising additional revenues from unequalized sources.

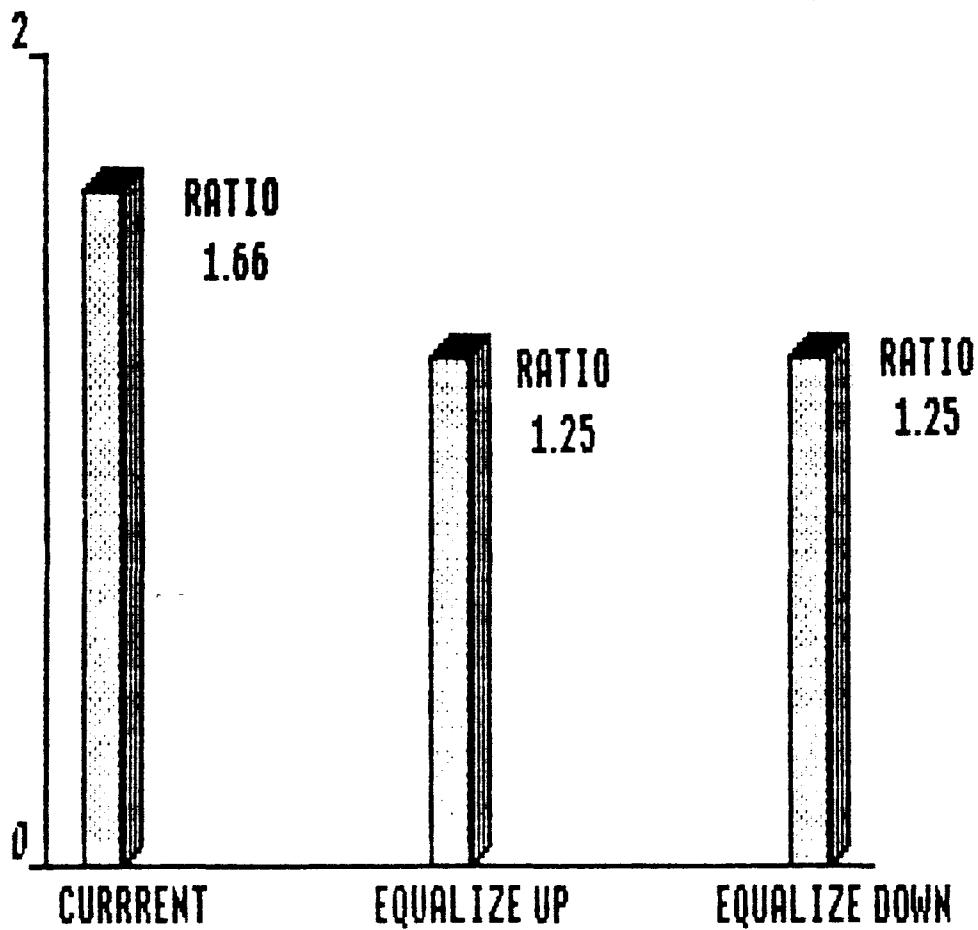
Finally, any educational funding remedy must assure funding levels that are adequate to maintain the opportunity of educational quality for all of Montana's students. This assurance must be sound both today and tomorrow; it must meet the challenge of inflation and of the standards of quality education in the future. Nothing less will allow us to deliver on Montana's Constitutional, historical, and economic promises to our children and the State as a whole.



SPENDING PER PUPIL IN FY88

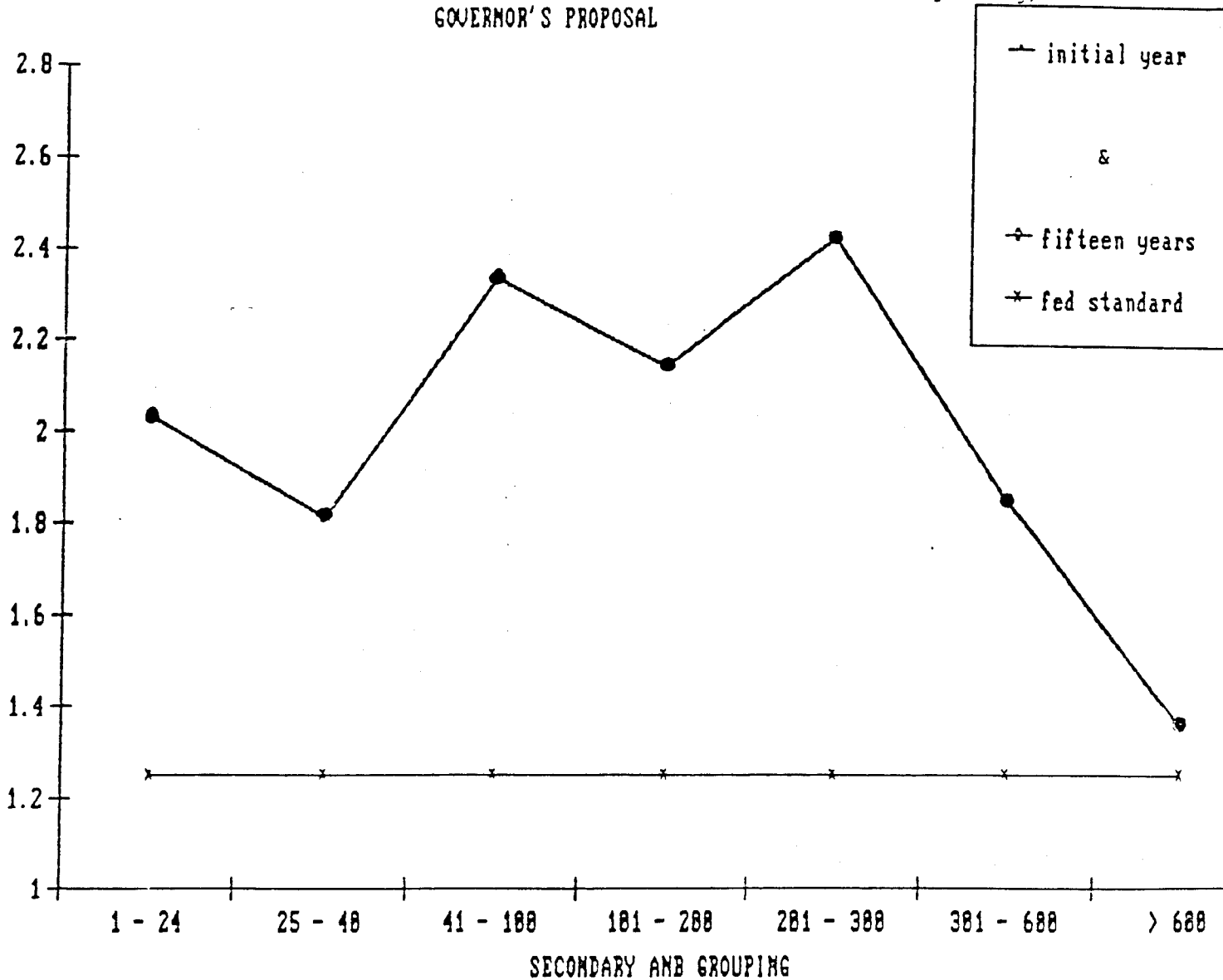
GERALDINE

DRUMMOND



PER PUPIL SPENDING DISPARITY RATIOS  
GERALDINE COMPARED TO DRUMMOND

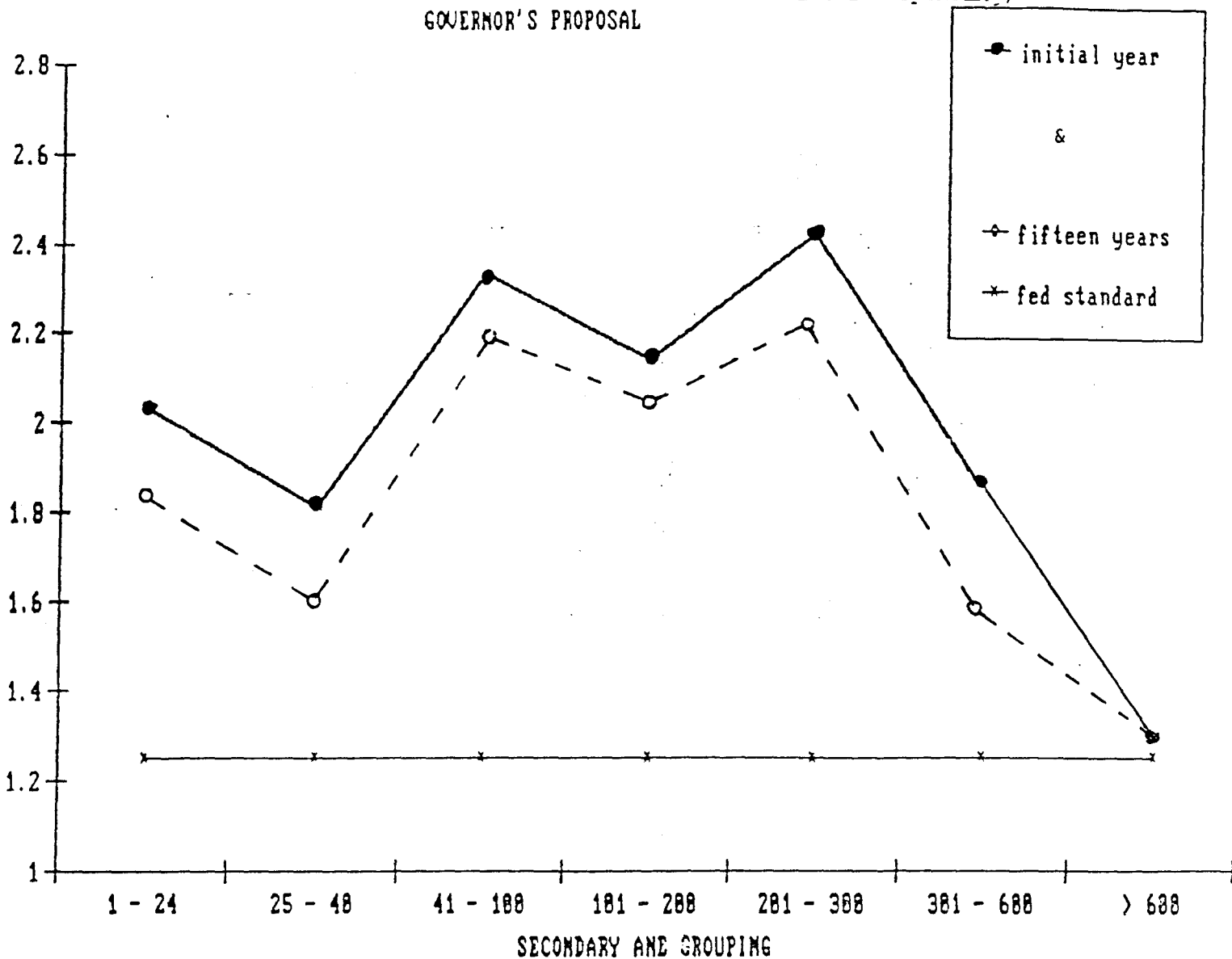
DISPARITY RATIOS FOR SECONDARY DISTRICTS  
(95th versus 5th Percentile District Spending)  
GOVERNOR'S PROPOSAL



Assumptions: All districts both within and beyond cap  
limits will increase spending by 4% per year.



DISPARITY RATIOS FOR SECONDARY DISTRICTS  
(95th versus 5th Percentile District Spending)  
GOVERNOR'S PROPOSAL



Assumptions: Districts beyond cap limits will increase spending 4% per year.

Scheduled payments to all districts will increase at a 5% projected rate of inflation.

GOVERNOR'S PROPOSAL

DISPARITY RATIO BY DISTRICT ANB CATEGORY  
(95TH TO 5TH PERCENTILES)

ELEMENTARY

ANB GROUP	1990-91 (INITIAL YR.)	1994-95 (5TH YEAR)	1999-2000 (10TH YEAR)	2004-05 (15TH YEAR)
1-9	3.75	3.75	3.75	3.75
10-18	2.82	2.81	2.81	2.78
19-40	2.17	2.09	2.01	2.01
41-100	2.22	2.22	2.22	2.16
101-300	2.32	2.22	2.11	2.01
>300	1.64	1.58	1.58	1.50

SECONDARY

ANB GROUP	1990-91 (INITIAL YR.)	1994-95 (5TH YEAR)	1999-2000 (10TH YEAR)	2004-05 (15TH YEAR)
1-24	2.05	1.97	1.88	1.85
25-40	1.83	1.76	1.68	1.60
41-100	2.44	2.34	2.23	2.13
101-200	2.14	2.06	1.96	1.87
201-300	2.45	2.36	2.25	2.14
301-600	1.82	1.74	1.66	1.58
>600	1.26	1.26	1.26	1.26

Assumptions: Districts beyond cap limits will increase spending 4% per year.

Scheduled payments to all districts will increase at a 5% projected rate of inflation.

## KEY FEATURES OF LC001

Fund FY88 current level expenditures for general fund and comprehensive insurance

Retirement at actual cost, distributed dollar for dollar

Caps at 117% of the new foundation program

120 statewide mills

Credit against net and gross proceeds tax increases, but not dollar for dollar

Inflationary adjustment mechanism, but not operational during the first year

Transportation funded at schedule level, no caps on local contribution

20% reserves

SB203 schedule increases for elementary category 7 & 8 are eliminated

Telecommunication funding for education, grades K through 12

Districts required to use generally accepted accounting principles

S.B. 203, AS AMENDED

Table 5: Ratio of Total Capped vs. Pre-Capped Funding Per ANF  
(95th vs. 5th Percentiles, Respectively) by District Type by  
Plan (RETIREMENT REMOVED)

(Special Education Funds Excluded)

GROUP	ELEMENTARY "203"	SECONDARY "203"
1	3.5	2.0
2	2.8	1.7
3	2.2	2.4
4	2.4	2.0
5	2.0	2.3
6	1.5	1.7
7	---	1.3

Date: 4-12-89

JUNE 22, 1989

# A SUMMARY OF SCHOOL FUNDING EQUALIZATION PROPOSALS:

JUNE 19, 1989 - SPECIAL SESSION

Prepared for the

House Education and Cultural Resources Committee  
Senate Education and Cultural Resources Committee

by

Andrea Merrill, Staff Researcher, Legislative Council  
Dave Cogley, Staff Attorney, Legislative Council

Revised June 20, 1989

(BILL NUMBERS ADDED JUNE 22, 1989)

## GLOSSARY OF ABBREVIATIONS USED IN CHART

ANB -- average number belonging

Bldg./debt -- district debt service, building fund, building  
reserve

CPI -- Consumer Price Index

Elem. -- elementary schools

FP -- Foundation Program

FY -- school fiscal year (i.e., FY 91 = school fiscal year  
beginning July 1, 1990)

GAAP -- Generally accepted accounting principles

GF -- school district general fund for operation and  
maintenance

G.T.B. -- Guaranteed tax base

H.S. -- high schools

I.T. -- income tax

M -- Million

PERS - Public Employees' Retirement System

SS -- Social Security

Spec. ed. -- special education

Transp. -- transportation

TRS -- Teachers' Retirement System

UI -- unemployment insurance

KADAS/  
RAMIREZ  
HB 39

HB 28, SCHYE  
SB 7, MAZUREK

CURRENT

1. Mandatory county retirement levy for TRS, PERS, SS, UI; using lottery for equalization (25-mill ave.)

No change from current law except mill value guaranteed for levy in low wealth counties. Spec. ed. retirement funded from retirement levy. Lottery diverted to state equalization aid

SB 20 NATHE

Retirement in GF, funded through Fp schedule with deficiency levy for districts with retirement costs greater than 10% of Fp schedule. Spec. ed. retirement as allowable cost

HB 45 (GOVERNOR'S)  
HANNAH

Retirement in GF, funded through Fp schedule with deficiency levy for districts with retirement costs greater than 10% of Fp schedule. Spec. ed. retirement not allowable cost

2. Allowable district levy for comprehensive insurance (5-mill ave.)

Eliminate levy.  
Insurance in GF.

Eliminate levy.  
Insurance in GF.  
100% of 1988 costs in Fp schedule base

Insurance in GF.  
Eliminate levy

3. Fp schedule funding not based on actual costs of operating school. & increases by legislature (1% since FY 86)

Fp schedule increased by & shown in #11. Additional equalization aid provided for retirement, transp., and GF costs not supported by Fp by subsidizing mill value per ANB in low wealth districts up to statewide mill value per ANB

Fp schedules for FY 91 based on: 90% of districts' 1988 GF (minus spec. ed. & PL 874) and insurance (minus PL 874) and 100% of retirement

Fp schedules based on desire to equalize funding for 80% of FY 91 projected costs for GF, insurance, and retirement

CURRENT	KADAS/ RAMIREZ HB 39	HB 28, SCHYE SB 7, MAZUREK	SB 20 NATHE	HB 45 (GOVERNOR'S) HANNAH
4. Mandatory 45-mill levy, collected at county (28 mills elem., 17 mills h.s.)	No change in county levy. Collect 50 state mills. Effective FY 91.	Collect 47 elem. & 28 h.s. mills at county. Collect 45 state mills. Effective FY 91	Collect 46.67 elem. mills & 28.33 mills at county. Effective FY 91	Collect 53 elem. mills & 32 mills at county. Effective FY 91
5. Permissive levies for elem. (6 mills) & H.S. (4 mills) to fund 20% of schedules	Replace current permissive levy with overschedule permissive levy up to 25% of schedule amount (for total schedule and permissive amount of approx. 90% of ave. '88 expenditure)	Eliminate permissive levy. Effective FY 91	Eliminate permissive levy. Effective FY 91	Eliminate permissive levy. Effective FY 91
6. No statutory expenditure limitations (except for I-105)	No GF budget limit, but recapture of 2% of budget over 166% of FP schedule amount for each 1% by which budget exceeds 166%	Maximum GF budget limited to 117% of schedules, spec. ed, & retirement. Districts with FY 88 GF, retirement, & insurance over 117% of FY 91 FP are frozen. PL 874 \$ excluded from cap. Exempt from I-105	Maximum GF budget limited to 130% of FP (schedule amount plus spec. ed). Districts with FY88 GF, retirement, & insurance budget over 130% of FY 91 FP are frozen; PL 874 \$ excluded from cap. Exempt from I-105	Maximum GF budget limited to either 104% of previous year budgets for GF, retirement, & insurance or 125% of FP schedule amount. PL 874 \$ excluded from cap. Exempt from I-105



KADAS/  
RAMIREZ  
HB 39

CURRENT

State revenue  
sources earmarked  
for state  
equalization aid

Current sources plus  
50-mill state levy,  
lottery, increased  
coal tax allocation,  
5% income surtax,  
increased individual  
income tax  
allocation

HB 28, SCHYE  
SB 7, MAZUREK

45-mill state levy  
and lottery to  
state equalization  
aid. Effective FY  
91

SB 20 NATHE

I.T. surtax con-  
tinued, lottery  
revenue, coal tax &  
interest reallo-  
cation. Effective FY  
90

HB 45 (GOVERNOR'S)  
HANNAH

Lottery to FP.  
Revenue from minimum  
district equaliza-  
tion levy of 44  
elem. mills and 26  
H.S. mills on C.A.  
property, in lieu of  
C.A. taxes for voted  
and retirement  
deficiency levy

County equalization  
revenues received  
from basic levies,  
federal forest  
funds, Taylor  
Grazing, motor  
vehicle, misc.

No change from  
current law except  
state equalization  
aid to offset tax  
delinquencies

No change from  
current law except  
state equalization  
aid to offset tax  
delinquencies

No change from  
current law except  
state equalization  
aid to offset tax  
delinquencies

PL 874 not counted  
as resource for  
equalization

PL 874 not subject  
to recapture

PL 874 excluded  
from cap until  
equalization  
allowed under  
federal law. Part  
of study

PL 874 excluded from  
cap until equaliza-  
tion allowed under  
federal law. Part of  
study

PL 874 excluded from  
cap until equaliza-  
tion allowed under  
federal law. Part of  
study

General fund reserve  
limit of 35%; no  
penalty for  
exceeding limit

Reserve limited to:  
35% if no state aid;  
30% if aid 1/4 or  
less of FP; 20% if  
aid over 1/4 of FP

Reserve limited  
to: 35% if no  
state aid; 30% if  
aid 1/4 or less of  
FP; 20% if aid  
over 1/4 of FP

Reserve limited to:  
35% if no state aid;  
30% if aid 1/4 or  
less of FP; 20% if  
aid over 1/4 of FP

Reserve limited to:  
35% if no state aid;  
30% if aid 1/4 or  
less of FP; 20% if  
aid over 1/4 of FP

CURRENT	KADAS/ RAMIREZ HB 39	HB 28, SCHYE SB 7, MAZUREK	SB 20 NATHE	HB 45 (GOVERNOR'S) HANNAH
11.	<u>FP structure &amp; schedules based on school size</u>	No change in structure. Schedules increased 4% for FY 90 and 8.51% elem. (with additional 9% increase for elem. over 300 ANB) and 16.32% H.S. for FY 91 (FY 91 increase is from FY 89 schedule)	No change in structure, except 9% increase for elem. over 300 ANB. Schedules increased by 44.57% for elem.; 52.85% for h.s.	No change in structure. Schedules increased by 46% for elem. & H.S.
12.	<u>Minimum 180 day school year with no maximum; no limit on days creates dis-equity in FP payments</u>	Funding for only 180 PI days, plus 7 PIR	Funding for only 180 PI days, plus 7 PIR	Funding for only 180 PI days, plus 7 PIR
13.	<u>Current state equalization aid payment schedule is 5 times per year</u>	20% state equalization aid in July, then 7% monthly. Includes both FP schedule payment and GTB aid	20% state equalization aid in July, then 7% monthly	20% state equalization aid in July, then 7% monthly
14.	<u>Building/debt service not equalized</u>	Interim study of needs & methods of equalization	Interim study of needs & methods of equalization	Interim study of needs & methods of equalization

CURRENT	KADAS/ RAMIREZ HB 39	HB 28, SCHYE SB 7, MAZUREK	SB 20 NATHE	HB 45 (GOVERNOR'S) HANNAH
17.	Additional components	Same as LC 0001 plus revises classification and taxable rate of real and personal property. Institutes flat tax rate on net & gross proceeds on coal, oil, & gas. Abolishes education trust fund.	Legislative oversight committee for studies and implementation (\$20,000); OPI adopt rules for GAAP accounting--training funds in bill. Increase bonus payments to enlarged districts. Telecommunications funding. Protested tax settlements exempt from reserve limits.	Legislative oversight committee for studies and implementation (\$20,000); OPI adopt rules for GAAP accounting--training funds in bill. Protested tax settlements exempt from reserve limits. District equalization levy on C.A. property - 44 mills elem., 26 H.S.; if 80% of all voted & retirement levy mills exceeds 70 mills, taxpayer gets refund from OPI.

HB 45 (GOVERNOR'S)  
HANNAH

No change from  
current law

SB 20 NATHE

State funds 100% of  
transp. schedules.  
Over-schedule amt.  
capped at 1988 costs  
unless OPI approval.  
Interim study.  
\$11.56 in bill

HB 28, SCHYE  
SB 7, MAZUREK

State funds 100%  
of transp.  
schedules. No cap.  
Interim study

KADAS/  
RAMIREZ  
HB 39

Schedules revised -  
state funds half of  
former schedule  
amount capped at '88  
costs unless OPI  
approval. Mill  
value guaranteed for  
transp. levy in low  
wealth districts.  
Interim study

CURRENT

15. Transportation  
program separate

No change from  
current law. No  
appropriation

State funds allow-  
able costs for FY  
90, 91, plus  
retirement costs for  
FY 91. \$4.3M in bill

State funds  
retirement costs  
for FY 91. \$4.3M  
in bill

State funds allow-  
able costs -  
\$33.862M in HB 100.  
Spec. ed. retirement  
not allowable cost

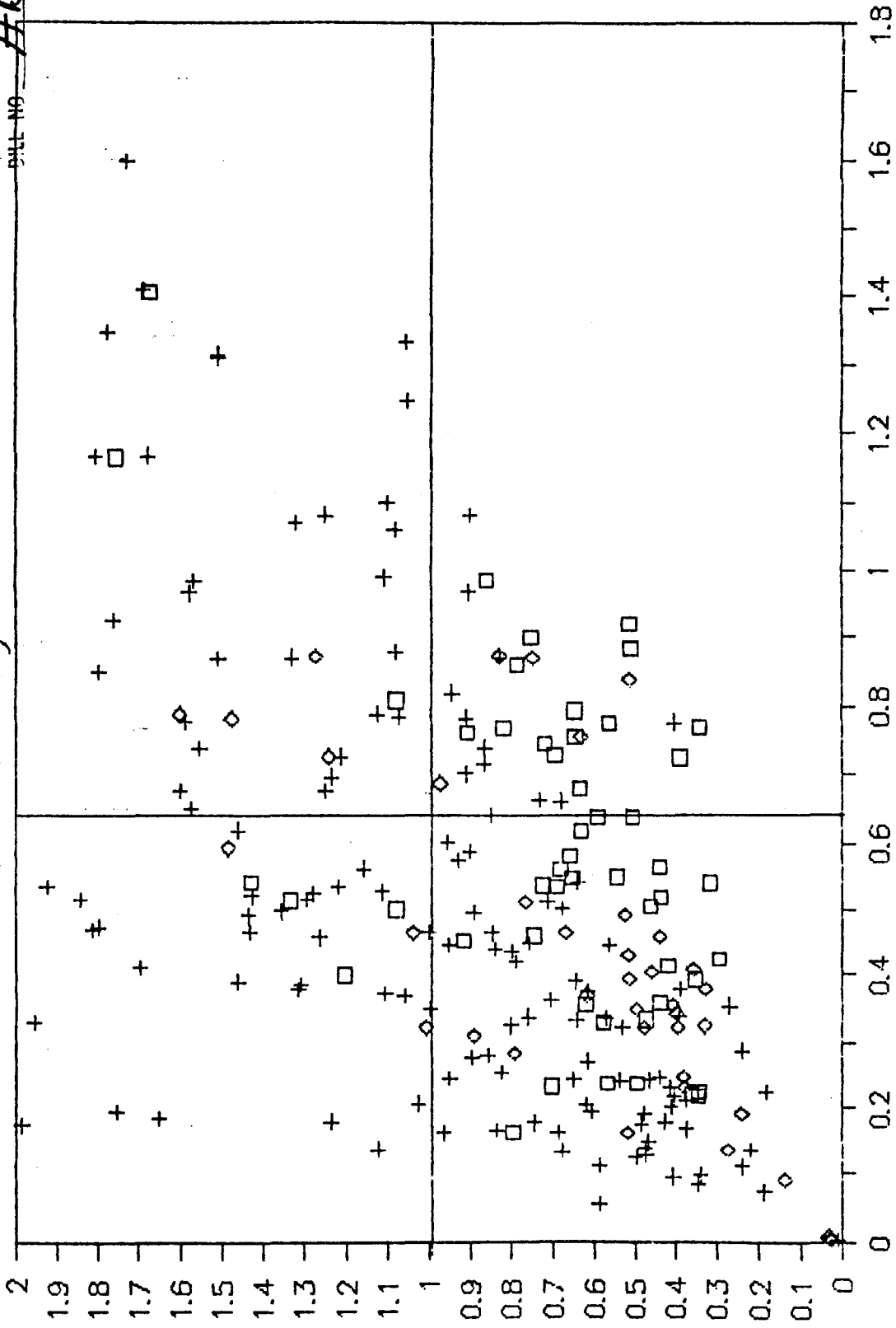
16. Special ed. part of  
GF and FP; actual  
costs not fully  
funded; separate  
accounting and OPI  
oversight

Option 80%, s=30  
Elementary Schools

EXHIBIT NO. 10

DATE 6/22/89

PILL NO. #B41



Li/Si

+ Small 0 - 149      ♦ Medium 150--299      □ Large Over 300

90/91 School Year Basic Equalization

(Figures in Millions)

SENATE EDUCATION

EXHIBIT NO. 11

DATE 9/22/89

BILL NO. HB 45

Fiscal 88 Expenditures Base (House Select Committee on Education)	\$ 462
Fiscal 91 Expenditures Base (assuming 10% growth)	\$ 508
80% Equalized From State Schedules (requires 46% increase in schedules)	\$ 407
Present Foundation Program Schedules	\$ 279
<u>New Revenue Needed in Foundation Program</u>	<u>\$ 128</u>
Lottery (\$4) and Increased Share of Vehicle Tax (\$8)	\$ 12
30 New Statewide Mills (85 mill levy) on \$1.53 Billion Taxable Value (Net and Gross Proceeds Excluded)	\$ 46
70 Mill State Equalization Levy on Centrally Assessed, Certain Personal Property, etc., and Equivalent Share of New Flat Tax on Extractive Resources	\$ 70
	<u>\$ 128</u>



My Chairman - members of the Committee

My name is Calvin Moore. I am  
Supt of schools of Medicine Lake, MT.

Earlier today we heard that  
more money is the answer to the  
problem you as a committee and  
legislature are dealing with.

That is not totally or even in  
a very large part the answer to  
the problem.

The problem ~~is~~ is as a result  
of a court mandate to equalize  
funding for education based on  
number of dollars spent  
per pupil on education.

This court decision  
came out of the underfunded  
lawsuit → the lawsuit came  
about because the plaintiffs  
felt that it was unfair the  
number of dollars they could  
raise through their voted  
levies compared to the number  
of dollars that could be raised



My Chairman - members of the Committee I ~~that~~ submit to you the the afore mentioned problems ~~are~~ were a result of the fact that ~~was~~ a larger portion of school budgets were being funded by the local districts.  
School.

In fact I believe that the portion of ~~the~~ school funding - funded by the state of Montana through the foundation program has continually declined to the level that in order to ~~provide~~ a quality education system local districts had to assume too much of the ~~total~~ financial load.

Will more money solve the problem? We don't know - but the local districts would certainly appreciate a greater effort on the part of the state so the quality of our programs can be maintained.  
I commend Senator Valthe for his ~~work~~ effort to

more equitable funding for  
our quality system and I  
encourage the committee to  
give this legislation due  
consideration.

SENATE EDUCATION

EXHIBIT NO. 14

DATE 6/22/89

FILE NO. SB 20

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
AMENDMENTS TO SENATE BILL NO. 20  
INTRODUCED BILL (WHITE COPY)

1. Page 20, line 7.

Following: "(d)"

Strike: "after June 30, 1991,"

Exhibit # 15  
6/22/89

EXHIBIT # 15 CONSISTS OF 21 PAGES OF SPREADSHEETS FROM THE LEGISLATIVE AUDITOR'S OFFICE. THE ORIGINAL EXHIBIT CAN BE FOUND IN THE HOUSE EDUCATION MINUTES FOR THIS DAY AS EXHIBIT # 15.

DATE 6/22/89

COMMITTEE ON Education

# VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)