

MINUTES

MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By Chairman H.W. Hammond, on June 26, 1989,
at 1:30 p.m. in room 402

ROLL CALL

Members Present: Senator John Anderson, Senator Chet
Blaylock, Senator Bob Brown, Senator Joe Mazurek,
Senator Pat Regan, Senator Bill Farrell, Senator Dick
Pinsoneault, Senator Dennis Nathe, and Senator H.W.
Hammond

Members Excused: None

Members Absent: None

Staff Present: Dave Cogley, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE BILL 16

Presentation and Opening Statement by Sponsor:

Senator Brown, Senate District 2, opened stating SB 16 was a resolution to study SB 9, SB 10, SB 11, SB 12, and SB 13 and it's related issues. Senator Brown stated that he agreed with Representative Vincent to introduce SB 16 with SB 9 through SB 13. He also added he wanted to Lay on the Table SB 9, SB 10, SB 11, SB 12, and SB 13. Senator Brown felt it was better to study SB 9 through SB 13 rather than to pass them to laws and not know the consequence of the bills.

Senator Brown explained that the study has be funded by the last regular session. He stated the legislature passed a number of resolutions for studies over the interim. He stated that there was a priority process where the legislature determined which one's the legislative council would finance. That studies process has been completed. Senator Brown stated he did not want SB 16 to interfere with the priority process. He wanted to keep the Special Session matters separate from the regular session matters. He asked to amend a feed bill for that purpose. He was unsuccessful for doing so.

Senator Brown stated that Legislative Council found a way to pay for this study over the interim. In the Legislative Council Budget there was a small amount appropriated to the Legislative Council. The 108 issues of statewide importance that may surface without regard to resolution for study or the priority process. He stated that there was approximately \$20,000 to fund this study.

Testifying Proponents and Who They Represent:

Eric Feaver, MEA

Claudette Morton, Executive Secretary the Board of Education

Bruce Moerer, School Board Association

Jess Long, School Administration of Montana

Jack Thompson, Deputy Superintendent of OPI

Proponents Testimony:

Eric Feaver, MEA, stated that they may not support any part of the study itself. He indicated that if the legislature had an interim study on controversial issues like merit pay, and alternative certificates for teachers, the definition of basic education, the MEA would feel privileged to be a part of it. Mr. Feaver stated, "By supporting SB 16, we in no way support the concepts that would be studied in that interim."

Claudette Morton, Board of Public Education, stated would like to support the idea of a study. We think it's important to the legislature to be aware of what does exist in schools right now and the options they might have. Maybe this committee can come up with a definition of basic education that might be appropriate.

Bruce Moerer, School Boards Association, we support the concept of the study. We're not against anything that would help or improve the quality of education in Montana.

Jess Long, School Administration of Montana, felt that the things listed in the study are already happening to a degree in some parts of the study. He felt there was plenty of opportunity to demonstrate those in a study that would be productive during the interim.

Jack Thompson, Deputy Superintendent of OPI, stated that these items are of popular interest. These items are very serious and they do warrant study and a deliberate consideration. He stated that on behalf of Superintendent Nancy Keenan, she felt very strongly

about the issue of accountability. She said that efficient experts should be brought in to assist schools in the future to move in the direction of accountability.

Opponents Testimony: None

Questions From Committee Members: Senator Blaylock stated that he supported this study. He said they have had 1200 people involved for the last two years working on a definition of a basic quality public elementary and secondary education. He stated, "We had some of the finest people in the state, school board members, teachers, administrators. When we got all through, we said they won't take it. I think the committee who is taking on these issues, is going to have a very difficult time. I think there is merit in possibly permitting students to attend another school district but that experiment to go on in Minnesota. I think it would be wise for Montana to sit back and watch what is going on in Minnesota."

Closing by Sponsor: Senator Brown closed.

DISPOSITION OF SENATE BILL 16

Motion: Senator Brown moved to lay SB 9, SB 10, SB 11, SB 12, and SB 13 on the table.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The question had been called for and a voice vote was taken. The motion carried unanimously to Lay on the Table.

Motion: Senator Brown moved SB 16 DO PASS.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The question had been called for and a voice vote was taken. The motion carried unanimously.

Discussion:

Chairman Hammond stated that there was a new spread sheet comparing the Committee Bill with SB 7 and SB 20. (SEE

EXHIBIT 1) He wanted to give the Senator Education Committee a chance to look over the spread sheet and see if there needed to be any improvements. Chairman Hammond commented whether or not the Committee was ready to accept the new Committee Bill. He felt that if the member were going to accept the bill, they would have to do it this afternoon or tonight sometime.

Senator Mazurek asked why would the Committee consider any more aspects because it would make more work for the staff. He stated if the Committee felt comfortable with the Committee Bill, the best thing they could do was accept the new Committee Bill.

Senator Regan stated that centrally assess was not considered because it was highly controversial. She felt that the Committee could not deliver the new Committee Bill without addressing a few issues.

Senator Farrell said, that they did not have anyone come in and explain centrally assess. He also said that the Committee did not have anyone come in and explain guarantee tax base. Senator Farrell explained, "We heard it in committee. We did not consider that it would be in another bill in the House." He suggested that maybe the Committee would take a look at it in a conference committee.

Senator Pinsoneault stated that if they made any adjustments on the Committee Bill it would throw the bill out of whack.

Senator Farrell stated that the Committee Bill the Senate Education Committee constructed Saturday, was ready to print. He said, "If we make any changes, you'll have to go through it again. Senator Farrell stated that the Committee should go with the bill as it is. He indicated that he had some amendments to put in the bill.

Senator Mazurek asked if the Committee needed to do anything further on the Committee Bill to get the bill accepted. Dave Cogley state that the Committee needed to adopt the statement of intent and also the statement about not using a surtax as an ongoing source.

Senator Mazurek added that the Statement of Intent was largely taken from 203.

Dave Cogley clarified that the Statement of Intent was the same it was in SB 7 and SB 20. Dave Cogley stated that the only two changes was 1.) The amendment from

SENATE COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

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Senator Pinsoneault (regarding a surtax as an ongoing source of revenue) 2.) The change in the paragraph explaining the phase-in over retirement.

Motion: Senator Mazurek moved the Statement of Intent.

Discussion: Senator Farrell stated on page 3, line 14 of the Statement of Intent to strike "and succeeding years". Dave Cogley stated that the reason that language was in there was to keep the schedules in place and on going. Dave stated that if the Committee wanted to take that language out, it would not hold up the printing of the bill.

Motion: Senator Farrell moved a substitute motion on page 3, line 14 of the Statement of Intent to strike "and succeeding years".

Discussion: None

Amendments, Discussion, and Votes: The question was called for and a voice vote was taken. The motion passed unanimously.

Motion: Senator Mazurek moved that Statement of Intent.

Discussion: None

Amendments, Discussion, and Votes: Questions been called for and a voice vote was taken. The motion carried unanimously. The statement of intent was adopted as amended.

ADJOURNMENT

Adjournment At: 2:42 p.m.


SENATOR H.W. HAMMOND, Chairman

HH/jj

ROLL CALL

EDUCATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1989

Date

6/26

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.

SENATE STANDING COMMITTEE REPORT

June 26, 1989

MR. PRESIDENT:

We, your committee on Education and Cultural Resources, having had under consideration SB 16 (first reading copy -- white), respectfully report that SB 16 do pass.

DO PASS

Signed: *H. W. Hammond*

H. W. Hammond, Chairman

*H.C. 189
6/26/89
B.Y.M.*

SENATE EDUCATION
EDUC. NO. 1
DATE 6/26/89

A SUMMARY OF
SCHOOL FUNDING EQUALIZATION PROPOSALS
CONSIDERED BY THE SENATE EDUCATION COMMITTEE

JUNE 19, 1989 - SPECIAL SESSION

Prepared June 26, 1989

by

COMMITTEE STAFF

Ex. #1
6/26/89

GLOSSARY OF ABBREVIATIONS USED IN CHART

ANB -- average number belonging

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

C.A. -- centrally assessed property

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

\$ -- revenue

Ex. #1
6-26-88

LC 127 Committee Bill

CURRENT

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

Retirement equalization phased in beginning FY 92, fully equalized by FY 94. County retirement levy eliminated July 1, '93. Retirement to be funded outside the FP, reimburse actual costs to the districts, except certain discretionary costs. Spec. ed. retirement not allowable cost

SB 7, MAZUREK

Separate fund. Eliminate levy. State aid to fund district's actual costs. Spec. ed. retirement as allowable cost

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

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

Eliminate levy. Insurance in GF & FP at 100% of '88 cost less PL 874 support. Effective FY 91

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

Eliminate levy. Insurance in GF. 90% of '88 costs in FP schedule base

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

FP schedules for FY 91 based on 100% of '88 GF & insurance expenditures, less spec. ed. and PL 874 support. FY 90 increase not in base

FP schedules for FY 91 based on 100% of districts' 1988 GF and insurance, plus any & increase for FY 90. Include 70% of PL 874 in base

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

CURRENT

LC 127

SB 7, MAZUREK

SB 20 NATHE

4. Mandatory 45-mill levy, collected at county (28 mills elem., 17 mills h.s.)

Collect 34 elem. & 21 H.S. mills at county, 45 mills at state for 100 mills total. Effective FY 91

Collect 46.67 elem. mills & 28.33 mills at county. Effective FY 91

5. Permissive levies for elem. (6 mills) & H.S. (4 mills) to fund 20% of schedules

Eliminate permissive levies. Effective FY 91

Eliminate permissive levy. Effective FY 91

6. No statutory expenditure limitations (except for I-105)

Maximum GF budget limited to 121% of FP (schedule amount plus spec. ed.). Districts with FY 88 GF & insurance over 121% of FY 91 FP are frozen. PL 874 exempt from cap

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

Σ #

6-26-89

CURRENT

LC 127

SB 7, MAZUREK

SB 20 NATHE

7.

State revenue
sources earmarked
for state
equalization aid

I.T. surtax con-
tinued (no sunset),
lottery to state
equalization aid)
coal tax proceeds
diverted from ed.
trust & parks
effective FY 90;
increased allocation
of \$4.4M personal
I.T. and 45-mill
state levy -
effective FY 91

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

8.

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

9.

PL 874 not counted
as resource for
equalization

PL 874 excluded from
GF budget cap & from
cash reserve limit
until equalization
allowed - study

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

<u>CURRENT</u>	<u>LC 127</u>	<u>SB 7, MAZUREK</u>	<u>SB 20 NATHE</u>
10. <u>General fund reserve limit of 35%; no penalty for exceeding limit</u>	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; exemptions for PL 874, consolidation bonus, protested tax payments, & minimum \$10,000	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
11. <u>FP structure & schedules based on school size</u>	No change in structure - no extra increase for some categories. Increased by 45.84% for elem; 55.66% for H.S.	No change in structure. No extra increase for some categories. Increased by 51% for elem.; 60% for H.S.	No change in structure, except 9% increase for elem. over 300 ANB. Schedules increased by 44.57% for elem.; 52.85% for 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.	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

LC 127

SB 7, MAZUREK

SB 20 NATHE

15. Transportation
program separate

No change in transp.
No additional equal-
ized funding this
biennium. Study.

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

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

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

State funds allow-
able costs for FY
90, 91. Spec. ed.
retirement not
allowable cost

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

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

EX, #7

6-26-89

Ex. #1
6-26-89

<u>CURRENT</u>	<u>LC 127</u>	<u>SB 7, MAZUREK</u>	<u>SB 20 NATHE</u>
17. Additional components	<p>Legislative oversight committee for studies & 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. Implementation funds for OPI. Flat tax for coal. Local government severance tax replaces net proceeds tax on oil & gas. Statutory appropriation of all revenue earmarked for equalization</p>	<p>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</p>	<p>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.</p>
18. Phase-in	<p>New plan effective for FY 91. Study effective July 1, 1989. OPI rules prior to FY 91</p>	<p>New plan effective for FY 91. Study effective July 1, 1989. OPI rules prior to FY 91.</p>	<p>New plan effective for FY 91. Study effective July 1, 1989. OPI rules prior to FY 91</p>

Senate Education Committee

Recap of action taken June 23, 24, 1989, on SB 7 and SB 20

Motions

1. Mazurek - include 100% of 88 costs for insurance in FP schedule - unanimous
2. Pinsoneault - fund retirement outside FP, separate retirement fund, full costs reimbursed by state except discretionary retirement costs incurred by district for termination pay or lump sum deferred compensation to be funded with district permissive levy. Aye - 8, No - 1
3. Mazurek - provide 100% of 88 GF and insurance costs in the FP schedules except remove PL 874 support from the schedule base and don't include FY 90 increase in the base. Unanimous
4. Mazurek - Expenditure cap set at percentage of FP that is equivalent to 117% of average 88 expenditures, except districts above 117% of average in 88 are frozen at 88 level. Unanimous
5. Mazurek - As an alternative to freezing at level of 88 expenditures, freeze at the average of 88 and 89 expenditures. Unanimous
6. Brown - Adopt items 5, 8, 9, 12, 13, 14, and 16 of Nathe and Mazurek bills (as shown on bill comparison chart prepared by staff). Unanimous
7. Nathe - Adopt Cobb amendments to allow minimum cash reserve of \$10,000 and except consolidation bonus payment from cash reserve limit. Unanimous
8. Nathe - Coordinating instruction to remove appropriation for implementation of GAAP requirements if HB 16 (containing the same appropriation) passed. Unanimous
9. Pinsoneault - Continue 10% income surtax, but with statement of intent that it is not to be considered permanent source of funding for school equalization. Unanimous
10. Nathe - Lottery revenue diverted to state equalization aid. Unanimous
11. Mazurek - Adopt 75 mill county mandatory levy for equalization. Unanimous
12. Nathe - Divert coal tax revenue from parks to state equalization for 2 years. Unanimous
13. Nathe - Divert coal tax revenue from education trust fund to equalization for 2 years. Unanimous
(No motions made and agreement not to divert coal tax revenue from coal board and county planning, as proposed in Nathe bill.)

14. Nathe - corporation tax allocation to state equalization increased to 38%. Failed Aye - 4, No - 5

15. Nathe - delete transportation provisions in bill, including appropriation (leave as in current law and study during interim). Unanimous

16. Mazurek - adopt all items in item #17 on bill comparison chart prepared by staff. Unanimous

17. Nathe - adopt Gage amendments for flat tax on coal gross proceeds and oil and gas proceeds. Mazurek - substitute motion to adopt total mandatory levy of 100 mills but provide flat tax on coal gross proceeds at 5%, oil at 8.4%, and gas at 15.25%, with stripper production at half. Aye - 5, No - 4

18. Nathe - motion to clarify that county mandatory levies are 34 mills (elementary) and 21 mills (high school) and state levy is 45 mills (total mills = 100). Unanimous

19. Farrell - Set limit on GF cash reserves at 35% of property taxes levied in support of GF budget, excepting PL 874, protested tax settlements, consolidation bonuses, and minimum \$10,000 amount. Failed Aye - 3, No - 6

20. Mazurek - Remove special education retirement as a special education allowable cost, and remove \$4.3 million appropriation contained in Nathe and Mazurek bill. Unanimous

21. Nathe - Allocation % of individual income tax to state equalization aid increased by amount sufficient to raise \$11 million for total FY 91 equalization funding shortfall. Unanimous

22. Mazurek - No separate increase for category 8 elementary districts. Aye - 7, No - 2

23. Mazurek - Phase in retirement funding from state starting FY 92 (estimated \$19.3 million), FY 93 (estimated \$26.4 million), FY 94 (total state funding). OPI to adopt rules apportioning retirement subsidy in FY 92 to districts with above-average retirement levies for full amount of costs over amount raised by average levy, then half of total costs in FY 93, then full state funding in FY 94 and beyond. Aye - 8, No - 1

24. Brown - adopt committee bill. Aye - 8, No - 1

6/26/89

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Steve Schumacher	MEA			
Joe McCracken	Fishwood			
Rich Rydley	Augusta School #45	all		
Pat Jarvis	MEA - Whitefish			
Chuck Evans	MEA - Forsyth			
R. Michael Thigden	MEA - Eastern MT Glendive			
Gordon H. Smith	MEA - Ronan High School			
Nami Smith	MEA - Ronan High School			
Kathryn Carlson	MEA - Billings			
Dennis Carlson	MEA - Huntly Project			
Susan Duganz	MEA - Billings			
Jan DeBau	MEA - Billings			
Mignon Waterman	Trustee - Helena Pub. Sch. Dist #1			
Jon Trangen	MEA - Billings			
Chip Erdmann	Local Control			
Steve Brown	Indian Impact Schools			
Claudette Motton	Board of Public Ed			
John L. Stratton	Spur Education Association			
Janette J. Bekken	Spur Education Assoc.			
Dave Bolger	Legislative Council			
Andi McNeil	Legislative Council			
Buz Miller	Great Falls Public			
Loran Frazin	Great Falls Public			
Jim Dean	MEA	all		
Jack Copps	OPI			
Leslie Long	S.A.M.	all		