

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By Chairman Ted Schye, on January 28, 1991, at 3:00 p.m.

ROLL CALL

Members Present:

Ted Schye, Chairman (D)
Ervin Davis, Vice-Chairman (D)
Steve Benedict (R)
Ernest Bergsagel (R)
Robert Clark (R)
Vicki Cocchiarella (D)
Fred "Fritz" Daily (D)
Alvin Ellis, Jr. (R)
Gary Feland (R)
Gary Forrester (D)
Floyd "Bob" Gervais (D)
Dan Harrington (D)
Tom Kilpatrick (D)
Bea McCarthy (D)
Scott McCulloch (D)
Richard Simpkins (R)
Barry "Spook" Stang (D)
Norm Wallin (R)
Diana Wyatt (D)

Members Excused: H.S. "Sonny" Hanson

Staff Present: Andrea Merrill, Legislative Council
Dianne McKittrick, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: Chairman Schye announced the sub-committee for HB 116 would be chaired by Rep. Kilpatrick, with Reps. McCulloch, McCarthy, Hanson and Clark members.

HEARING ON HB 238

Presentation and Opening Statement by Sponsor:

REPRESENTATIVE WILLIAM BOHARSKI, House District 4, Kalispell, said HB 238 is a result of HB 28 from the 1989 Special Session, to control high spending districts and allow the low spending districts to meet the Supreme Court mandate of equalizing

education. HB 28 would have probably failed to pass had not the 4% growth caps been put in for the high spending districts. Currently, high schools are spending between \$23,000 and \$2,400 per ANB while elementary schools are spending between \$9,500 and \$2,500 per ANB. REP. BOHARSKI said the criteria for equalizing education under the Supreme Court mandate is not being met. The schools spending more dollars per-student, per-year can actually increase at a faster rate than the schools who are spending less. Under the current HB 28 scenario, any school budget can be increased by 4% over its previous year budget or up to 135% of the Foundation Schedules if they weren't currently at that level, whichever is greater. There is a slight move towards equity in HB 28 but a greater increase toward equity under HB 238. HB 238 would also allow for an increase to every school in Montana that is below 170% of their schedule amount, while continuing to approach equity and the Supreme Court mandate.

REP. BOHARSKI said he introduced HB 283 due to the very real concern for dramatic increases for taxpayers when the Legislature appropriated money for the state's education system. When approximately 69% of the state's budget is spent on education, that is the first place to look in controlling spending. Secondly, high spending districts will continue to grow and throw all districts out of equity and if that happens the attorneys will be more than happy to go to court again. Under HB 28 the districts are more equalized in Fiscal 1991 than in 1990 because a great deal of money was put into the Foundation Program and the guaranteed tax base in order to bring everyone up.

There are three possible ways to equalize: (1) push more money in from the bottom to bring everyone's disparity from the Foundation Program up together, - it works but it takes a lot of money; (2) attempt power equalization - take money from the rich districts and put it in the big pot, take the money from the poor districts and put it in the same pot and divide it among everyone and all will spend the same per student; and (3) the proposal through HB 238 where the districts spending over 170% of the schedules, about 25% of the schools in the state, must hold the line for two years until the lower schools have a chance to catch up. This schedule is graduated so schools at the bottom can grow at a faster rate than schools the next step up. The goal of equalizing will take time and will not be painless. REP. BOHARSKI submitted a proposed amendment to correct a mistake in the drafting of the bill. EXHIBIT 1

Proponents' Testimony: None

Opponents' Testimony: Nancy Keenan, Superintendent, Office of Public Instruction, (OPI), said she will oppose every bill with regard to capping mechanisms or major changes to school equalization. HB 28 was effective July 1990, and is the date school districts came under the "new system". Now in January 1991, they have only been paid for six months under the new system. Schools budget in the spring, are paid in July, and the

end of the year turn in to OPI in September their expenditures. This bill will change the budgets because OPI doesn't know what the districts have expended and won't know until September 1991. Supt. Keenan asked how many would like their 1991 taxes audited before they've even filed their returns. How can a system be changed if we don't have it yet? She doesn't know what figures Rep. Boharski is using because the Legislative Auditor, Legislative Fiscal Analyst and OPI have agreed to use the same data base and won't have the information until mid-February. Currently the data is not accurate and no information has been released. Supt. Keenan said she will be the first to change the system, if need be, after it has been given an opportunity to work for a year. HB 28 is not the "beginning and the end all" but at present, the information is not available to fix it. Expenditures, not budget, will be a reflection of what is under the new system. A change now will require extensive changes to the data edit system and will necessitate revised budget forms, instructions, retraining clerks, superintendents, as well as editing modifications to coincide with data collection revisions, all of which is an unbelievable process. The Supreme Court decision spoke to both. Everyone wants to equalize but it must be based on sound information, not merely speculation from old budgets.

Dori Nielsen, Office of Public Instruction, (OPI), submitted a change cycle sheet explaining the process of receiving data, inputting and retrieving it for information. This is easier in a system that has been in place for some time and been allowed to work. Even small changes result in large problems. EXHIBIT 2

Tom Bilodeau, Montana Education Association, (MEA), said this bill does not meet the four essential qualities identified as meaningful school finance reform, equality, sufficiency, simplicity and continuity for future finance of schools in Montana. The first two objectives relate to the constitutional requirement which is a dual guarantee of equal access to a system of quality education for all plus a guarantee of taxpayer equity. The state will fund the system on an equitable basis. It is a guarantee that sufficient dollars will be available for every student to be afforded a quality education. People must be able to understand how schools are funded and the system should not be changed repeatedly. EXHIBIT 3

Pat Melby, Underfunded School Coalition, stated opposition saying the Coalition generally opposes caps as a means to equalization. They would accept caps as part of a comprehensive equalization plan which isn't available through HB 28. HB 28 was forced on schools and is an attempt to equalize downward, and unfortunately, ignores the constitutional requirement of a quality education, while striving for mediocrity. He presented an amendment in case the committee seriously looked at the bill. Even with this amendment, the Coalition would still oppose the legislation. EXHIBIT 4

Chip Erdmann, Montana Rural Education Association, presented written testimony. EXHIBIT 5

Dale Zorn, Superintendent, Shelby, said the Shelby School Board has determined the kids in Shelby should have the opportunity to take physics and chemistry every year which reflects local control. Consequently, they have beefed up the science staff. Shelby students have the benefit of both a choral teacher and instrumental instructor in the music program, which also reflects local control. The students also have the opportunity to take vocational agriculture as well as auto mechanics, once again reflecting local control. The people of Shelby have been willing to pay for these programs over the years. Nothing has been done in Shelby that the community hasn't approved. In the face of Project Excellence, there will be further requirements and if the caps are screwed down, the district won't be able to provide the quality programs it has over the last few years.

Teresa Reardon, Montana Federation of Teachers, (MFT), said MFT cannot support any bill that equalizes education downward. Montana should be improving the quality of education, not attempting to limit or restrict it.

Bob Anderson, Montana School Boards Association, (MSBA), said it is correct that it is uncertain what is going on in the districts at this time and more time is needed to gather necessary information. MSBA has not been in favor of caps in the past and recognizes that to have an equalized system, it will take more funding from the Legislature. HB 238 moves the school system down the very dangerous road of uncertainty.

Kay McKenna, Montana Association of County School Superintendents, (MACSS), stated agreement with previous opponent testimony.

Dennis Williams, Superintendent, Conrad, said Conrad would be forced to increase its high school budget by 102% and unfortunately can only meet the inflationary costs of Project Excellence. The district prides itself on a quality educational program with a competitive salary schedule and hopes to maintain that quality education however, it can't be accomplished with further caps. Quality education won't take place in Conrad if HB 238 passes.

Jim Foster, Superintendent, Chester, presented written testimony and submitted testimony from **Richard Shaffer, Superintendent, Big Sandy,** stating opposition. **EXHIBITS 6 and 7**

Loran Frazier, School Administrators of Montana, (SAM), said many school administrators appreciate the efforts the legislators have made to meet the equalization mandate. They know this is not an easy task. Let HB 28 continue until adequate data can be collected and then make changes based on this data. However

imperfect HB 28 is, it is the vehicle the schools have to work with this year. It may be wiser to fix the flat tires and buy the gas, rather than turn it in and buy a new one.

Larry Fasbender, Great Falls Public Schools, said the number of opponents to this bill should show the committee there are many school educators and districts that are very concerned about this legislation. The Legislature is in a very difficult situation with pressures from local school districts while realizing the limitations on what can be done. There are not sufficient funds to provide the opportunities that everyone would like. At the same time, by passing HB 238, the Legislature may be imposing upon districts the very thing it doesn't want to happen. You don't have equal access to funds but also perpetuate the idea that quality education is something we can't achieve in Montana.

Buck Taylor, Board Member and Taxpayer, Saco, said under HB 28 all schools had the options of 104% of the previous year's budget or 135% of the Foundation Program, whichever was highest. The large schools took the 135% which pumped in thousands of dollars through the Foundation Program. The Legislature took \$11 million of the state tax base last session and was going to replace it dollar-for-dollar with a flat tax that fell short 25-30%. He said the taxpayers in Saco raise half the budget and probably not many of the large schools can say that. If they do, all are equal. Calculating the General Fund Budget Caps based on Foundation Program payments would be an inequitable method because small schools receive approximately 17% of Foundation Program payments.

Jim Smith, Superintendent, Blue Sky Schools, said they are a consolidated school district that has worked very hard for many years to provide the best education for its children. If forced to live with 2% or 4% caps we are going to have a difficult time delivering what the people in the district want to see in the school. If his district decided to afford what it considered the best possible education, somewhere in equalization, it says they can't do that! It also says that isn't their choice anymore!

Steve Brown, Indian Impact Schools of Montana, said this bill would clearly force equalization downward and force schools who were unfortunate enough not to receive 874 funds to eliminate quality from their programs. There is no doubt the effect on Indian schools would be devastating. He stressed that this is not the way to equalize.

Questions From Committee Members:

REP. SIMPKINS asked Supt. Keenan how much money is needed today to meet the court mandate to equalize per child cost throughout Montana. Supt. Keenan answered she doubted anyone could answer that presently. Keep in mind the Foundation Program was around some 50 years prior to HB 28. It wasn't until the court case was brought, the Legislature finally had to address the issue.

REP. SIMPKINS addressed Dori Nielson saying he doubted many items on Exhibit 2 would have to be repeated such as hearings schedules. Dori Nielson answered that admittedly it isn't as elaborate but if it indeed changes some administrative rules, it will require the process of time.

REP. STANG asked Supt. Keenan if it were possible to obtain accurate data on or before February 15 since very important decisions need to be done shortly after transmittal. Supt. Keenan replied people are working overtime on compiling data and it just is not possible. She made the decision not to provide preliminary data that is inaccurate.

REP. WALLIN asked Supt. Zorn if he was interested in equalization since his school district can apparently do it on its own and does a good job. Supt. Zorn answered he is not opposed to equalization but feels there are different levels. One can equalize dollars and equalize taxpayer load but there is a quality of education that has to be equalized also. That is what he is defending. REP. WALLIN asked Supt. Zorn if another school of their size doesn't make that election, would they be equal. Supt. Zorn answered no.

REP. HARRINGTON asked REP. BOHARSKI why he had not seen a fiscal note when certain members of the committee had sheets that indicate some of some school districts. If the material was available from the Office of Budget and Planning, why weren't all committee members appraised of this information? How did the Office of Budget and Planning come up with reliable numbers if OPI couldn't do so?

REP. BOHARSKI clarified that the numbers from OPI were unaudited numbers. The Legislative Auditor reviewed the numbers to see if they made sense and actually called some school districts to see if they were correct where they had disagreement.

REP. BENEDICT asked Bob Anderson if the MSBA had a great deal to gain from being involved in this process since they are the ones who have to live with these figures or budgets. Is there any effort being made by the school boards in conjunction with some of the other interested organizations in Montana to come up with some proposal to work towards equalization without another property tax increase? Mr. Anderson said there are probably solutions that wouldn't require a large property tax increase and those options would be available to legislators. They were discussed thoroughly the past session and in the special session. There are a variety of ways to raise revenue as for any other enterprise the state operates. They don't have a better answer right now other than HB 28.

REP. SIMPKINS remarked to Supt. Zorn that he defined quality education in relation to the programs put in his school. Many schools are doing this and therefore there are different programs

based upon local need with the school boards defining quality education in their area. Supt. Zorn answered he feels every school board in the state defines the needs of its community and tries to meet them. That is the responsibility of elected officials. REP. SIMPKINS said a definition of quality education continues to allude the Legislature as well as the funding responsibility of the Legislature.

REP. ELLIS asked Supt. Keenan for the figures on what the districts have budgeted. Supt. Keenan said REP. BOHARSKI'S figures show the magnitude of disparity but not the impact of HB 28. REP. ELLIS said he understood that but it will give us an idea of where we are as far as disparities in spending. Supt. Keenan said yes, but prior to HB 28. REP. ELLIS then said, "you are saying these budgets won't reflect what they will spend per student". Supt. Keenan said right. REP. ELLIS asked if most schools spend the money they have budgeted. Supt. Keenan said historically districts spend about 6% less. That information isn't available yet. Expenditure data is needed. It would not be wise to make important decisions based upon poor information.

Closing by Sponsor:

REP. BOHARSKI said while everyone would like to equalize up that would mean every high school student gets \$23,000 and every elementary student gets \$9,500 per ANB and that is hundreds of millions of dollars. It is not realistic. This bill says to a school board, instead of using a number previously used of 104% of a previous year's budget, now use a 103% or, if you are a higher spender, use 102%, 101% or don't go any higher. This bill is about the most straight forward legislation you'll see all session. It doesn't take one dime from schools but simply says if you are a high spending district, and have been traditionally, you won't be able to spend as much as you would like to spend. That is a reality of equalization of education. There are many of us that weren't happy with the Supreme Court decision but we all took an oath to uphold the Constitution of the State of Montana. HB 28 has many flaws. How can they recognize that schools aren't equalized and propose to push money into the schedules if we don't have any information that says the schools aren't equalized. Everybody here knows schools aren't equalized and that the rural schools particularly are getting hurt at the expense of the bigger schools. Although we recognize none of this unaudited data is perfect we all know the trends.

HEARING ON 254

Presentation and Opening Statement by Sponsor:

REPRESENTATIVE RICHARD SIMPKINS, House District 39, Great Falls, said this is a cleanup bill regarding enrollment and attendance in relation to current laws. First, the trustees assign the child to a school; second, the parents enroll the child in the school assigned by the trustees; and third, the child must attend

that school to which he is enrolled. If the child is not officially enrolled until physically attending a class, what about football season that starts early. Is that child covered under school policy and under the school's liability? This is a liability question because schools don't have the definition of enrollment and attendance.

Proponents' Testimony: None

Opponents' Testimony:

Kay McKenna, Montana Association of County School Superintendents, (MACSS), presented written testimony. EXHIBIT 8

Informational Testimony:

Dori Nielsen, Office of Public Instruction, (OPI), said these definitions will impact school district reporting because the current administrative rules would be redefined and would have to go through the cycle of changes. This will indeed cost.

Questions From Committee Members:

REP. ELLIS asked Kay McKenna if districts get paid on the students attendance and not by those enrolled for ANB purposes. Ms. McKenna answered that when the ANB is figured, both the present and absent figures are combined and that number is divided by 180 days. This bill seems to call for enrollment only, which would change calculation of ANB.

Closing by Sponsor:

REP. SIMPKINS said he is attempting to clarify law and is sorry if the OPI has to change the rules; however, he said he didn't believe they needed to hold a hearing to change rules to comply with state law.

HEARING ON HB 253

Presentation and Opening Statement by Sponsor:

REPRESENTATIVE RICHARD SIMPKINS, House District 39, Great Falls, said if we follow the Constitution, the educational system could work very nicely. One problem is the Board of Education is composed of the Board of Regents of Higher Education and the Board of Public Education. The State Board of Public Education is responsible for long-range planning and for coordinating and evaluating policies and programs for the state's educational systems. EXHIBIT 9 If that Board would work, people would be in here explaining plans beyond two years regarding direction of education and cost. There would be unified budgets. The Board of Public Education is to exercise general supervision over the public school system and other educational institutions assigned by law. Then, the Legislature passed the law assigning duties to

the Supt. of Public Instruction. The very first duty was the general supervision of public schools and districts of the state. This is in direct conflict with duties set in legislative law. This legislation is to realign duties and get the Constitution working.

Proponents' Testimony:

Nancy Keenan, Superintendent of Public Instruction, said there might be some conflict technically. Be careful of any wording if you try to "improve" the situation.

Opponents' Testimony: None

Questions From Committee Members:

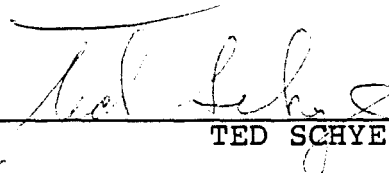
REP. HARRINGTON asked REP. SIMPKINS if he wanted to delete the authority to generally supervise the school budgeting process, line 8 and to generally supervise the school financial program, line 11. Do you want to strike this? REP. SIMPKINS replied no because in other sections of law the Superintendent of Public Instruction has the responsibility assigned by the Legislature to set up the forms and policies of the budgeting cycle within the schools. There should be supervision of specific duties rather than a general assignment of the entire scope that the Constitution gives to the Board of Public Education. He questioned if the Legislature has the authority to reassign a Constitutional duty to another elected official.

Closing by Sponsor:

The overall goal is to get the State Board of Education to do its job and as a result make its job easier by making the decisions on long-range planning, unified budgets and direction of education in the state.

ADJOURNMENT

Adjournment: 5:30 p.m.



TED SCHYE, Chair



DIANNE MCKITTRICK, Secretary

TS/dMcK

HOUSE OF REPRESENTATIVES

EDUCATION AND CULTURAL RESOURCES COMMITTEE

ROLL CALL

DATE 1-28-91

NAME	PRESENT	ABSENT	EXCUSED
REP. TED SCHYE, CHAIRMAN	✓		
REP. ERVIN DAVIS, VICE-CHAIRMAN	✓		
REP. STEVE BENEDICT	✓		
REP. ERNEST BERGSAGEL	✓		
REP. ROBERT CLARK	✓		
REP. VICKI COCCHIARELLA	✓		
REP. FRED "FRITZ" DAILY	✓		
REP. ALVIN ELLIS, JR.	✓		
REP. GARY FELAND	✓		
REP. GARY FORRESTER	✓		
REP. FLOYD "BOB" GERVAIS	✓		
REP. H.S. "SONNY" HANSON			✓
REP. DAN HARRINGTON	✓		
REP. TOM KILPATRICK	✓		
REP. BEA MCCARTHY	✓		
REP. SCOTT MCCULLOCH	✓		
REP. RICHARD SIMPKINS	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. NORM WALLIN	✓		
REP. DIANA WYATT	✓		

EXHIBIT #1
DATE 1-28-91
HB 238

Amendments to HB Bill No. 238
1st Reading Copy

Requested by Rep. Boharski
For the House Committee on Education

Prepared by Andrea Merrill
January 28, 1991

1. Page 2, line 5.

Following: "(a)"

Insert: "a district may adopt a general fund budget that is 135%
of the foundation program amount for the ensuing school
fiscal year;"

Renumber: subsequent subsections

2. Page 2, line 7.

Strike: "from 136% through"

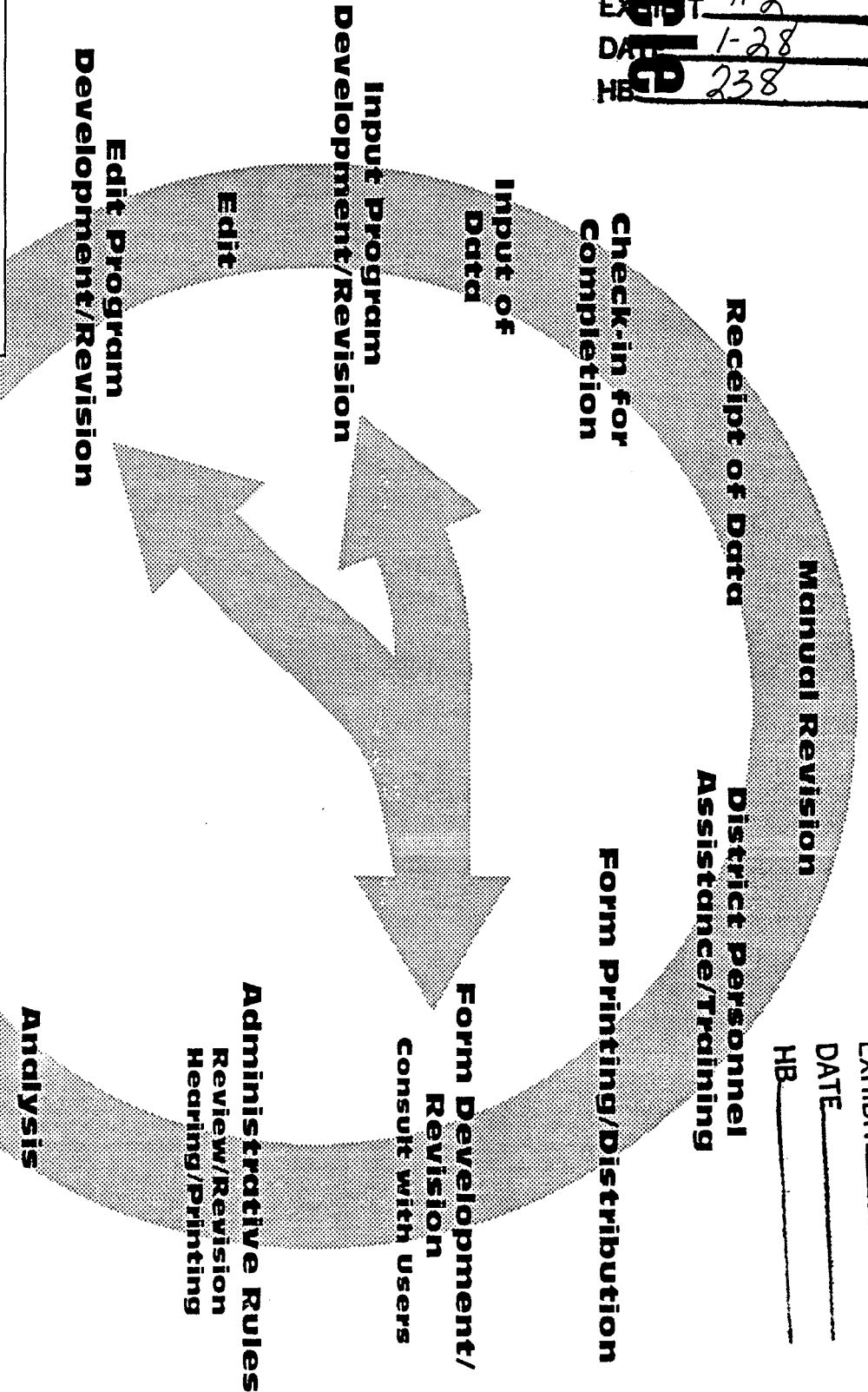
Insert: "up to"



EXHIBIT #2
DATE 1-28
HB 238

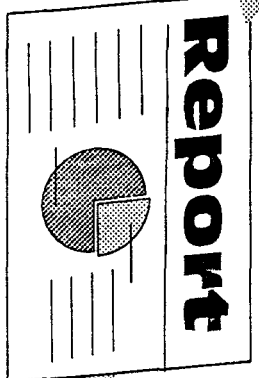
Change Cycle

Legislative Decisions Impact



District Budget

- State Certified GTB Aid available to districts
- Special Education District Allowable Costs
- Special Education Prorated Coop Costs
- Prior Year Budget Level
- Emergency Budget Amendments
- Certified Mill Levies and Mill Value
- End-of-year fund balances/trustees reports
- Reserve Limit vs. Percent Budgeted
- Excess Reserve - Revenue Source
- Joint District Data - County Superintendents
- District Calculations of Permissive (35%) and Budget Limit (104%)
- Budget as 104% of Prior Budget vs. 135% with Permissive
- End-of-year Revenue Reconciliation - to Insure Proper Adjustments
- State Equalization for Foundation, Special Education, GTB
- PI 81-874, State Impact Aid Consolidation or Annexation Bonus



Analysis



Montana Education Association

1232 East Sixth Avenue • Helena, Montana 59601 • 406-442-4250

EXHIBIT #3
DATE 1-28-91
HB 238

**MONTANA'S PROMISE:
FUNDING A QUALITY PUBLIC EDUCATION FOR ALL**

As a matter of steadfast popular opinion, public policy and law, Montana's commitment to education is the promise of the future to our children and ourselves. Our commitment to public education is underscored by 1972 Constitutional guarantees which experienced education finance experts and attorneys believe to be the strongest in the nation:

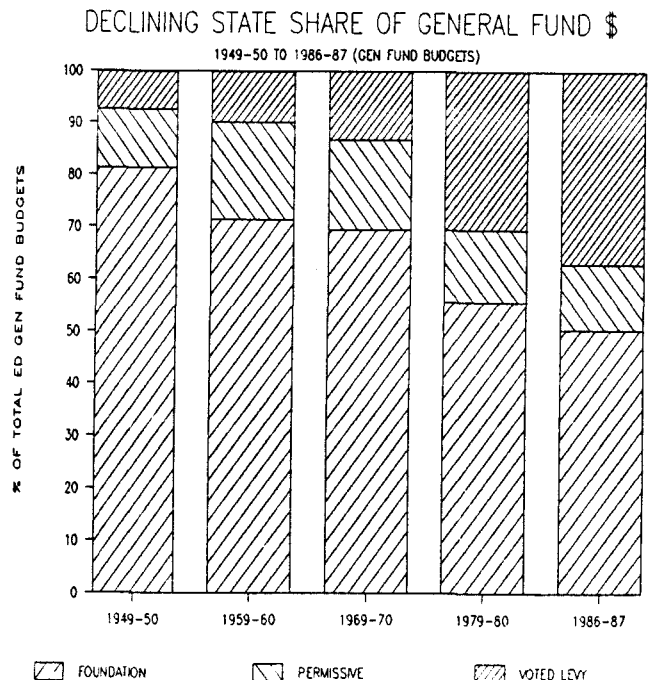
"It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.

"The legislature shall provide a basic system of free quality elementary and secondary schools...(and) 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."

Article X. Montana Constitution of 1972.

Virtually alone among the states, Montana's Constitutional language provides a dual guarantee of a free quality education for all and mandates that the State will fund such a system on an equitable basis.

By the mid-1980's, however, there were indications that Montana was failing to fulfill its educational promise. A continuing pattern of inadequate foundation program funding by the state had resulted in alarming inequities of spending and millage levels.

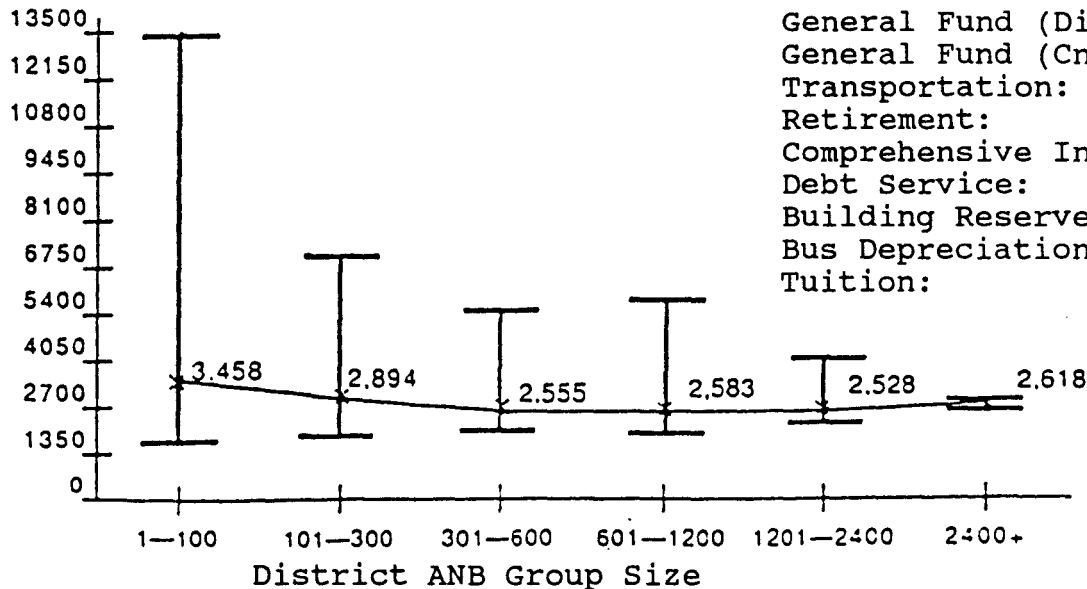


170 250
1/28/91

STATEWIDE FY87 ELEMENTARY DISTRICT DISPARITY

\$ PER ANB / SPENDING DISPARITY

MILLAGE DISPARITY

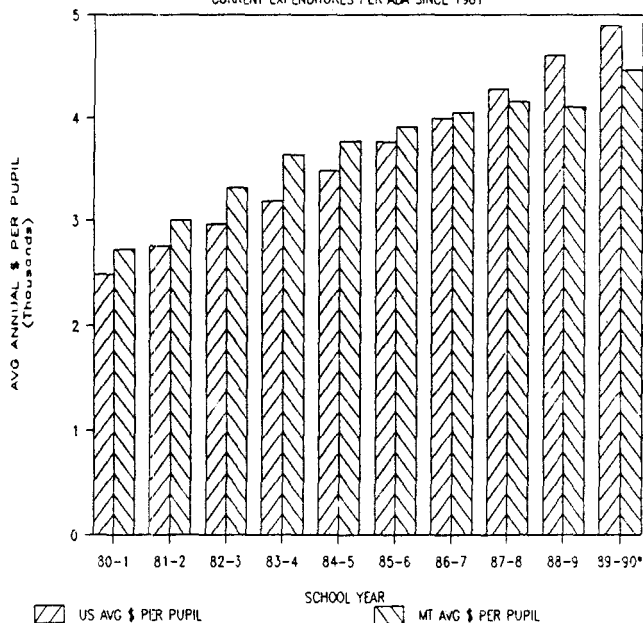


General Fund (Dist):	6 - 123
General Fund (Cnty):	28
Transportation:	0 - 45
Retirement:	4 - 33
Comprehensive Ins:	0 - 31
Debt Service:	0 - 65
Building Reserve:	0 - 35
Bus Depreciation:	0 - 21
Tuition:	0 - 59

The situation was accompanied by a general decline in many districts' capacities to improve -- or even maintain -- educational programs and staff retention, professional development standards, and compensation. At the very time that spending and millage disparities between districts widened, Montana began a downward slide relative to the other states' spending levels per student. It was increasingly evident that Montana was losing its best competitive edge for future economic development -- i.e. the quality of its educational system and the resulting workforce. (See reports of the Corporation for Economic Development; 1985-1990.)

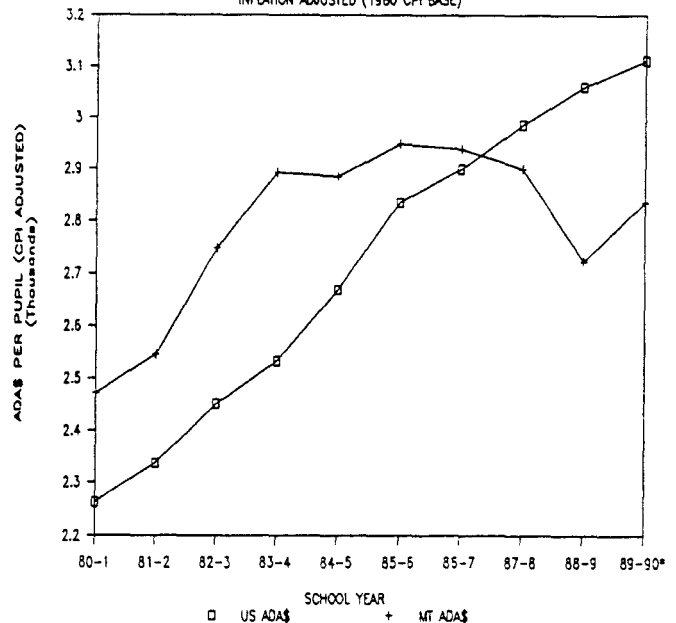
US & MT PER PUPIL K-12 EXPENDITURES

CURRENT EXPENDITURES PER ADA SINCE 1981



US & MT PER PUPIL (ADA) EXPENDITURES

INFLATION ADJUSTED (1980 CPI BASE)



THE UNDERFUNDED SCHOOLS LITIGATION

By the conclusion of the 1985 Legislative Session, many of Montana's "low property wealth/high tax effort/low expenditure school districts" determined that legal action was required to prod state government toward a renewed commitment to equalized public education funding. Relying on the Montana Constitution's dual guarantee of equal opportunity to quality education and equity of state supported funding, legal precedent in California's Serranno case, as well as righteous purpose borne out by demonstrable fact, the 60 district strong "Underfunded Schools Coalition" filed suit in the spring of 1985. Five months later, MEA joined the litigation as an independent intervener.

The long and complex litigation concluded with an early 1989 unanimous decision of the Montana Supreme Court finding that application of Montana's education finance system was unconstitutional and basically upholding all significant aspects of the plaintiffs' and MEA's case. In pertinent part, the Court held that:

"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."

Helena Schl Dist, et al v Montana, Montana Supreme Court (1989).

HB 238
1/28/91

THE LEGISLATIVE RESPONSE -- HOUSE BILL 28 (1989)

Following adverse amendment of SB203 and then gubernatorial veto of the SB26 (the "compromise" education finance reform bill favored by the education community), HB28 was enacted by the Legislature during the Second Special Session of 1989. This sweeping reform of Montana's school funding law was signed by the Governor on August 11, 1989, and was implemented at the beginning of the 1990-91 (FY91) school year.

In terms of state financial support for the public schools, HB28's major provisions include:

- 1) adoption of foundation program schedule payments to districts that range from 17% to nearly 28% higher than previously provided (this change raised the state's contribution to foundation costs to slightly more than \$400 million in FY91);
- 2) institution of a guaranteed tax base (GTB) system to supplement low wealth tax jurisdiction's revenue generating capacity through permissive general fund and county retirement millages (in FY91, the GTB support provided by the state will exceed \$30 million dollars for the general fund and \$13 million dollars for the retirement fund).

The increased state support is financed by a mandatory statewide 95 mill levy, a 5 percent surtax on individual and corporate income taxes, and reallocation of coal, lottery, and income tax revenues. The bill also repeals the current net and gross proceeds taxes on coal, oil, and natural gas and provides for a "flat tax" severance tax in their place.

STATE & LOCAL SCHOOL FUNDING: FY89 EXPENDITURES COMPARED TO FY91 BUDGETS UNDER HB28									
----- FY89 (1988-89) ----- FY91 (1990-91) BUDGETS -----									
FUND	ACTUAL FY89\$ EXPENDITURES	STATE SUPPORT \$	OTHER REV % (LOCAL+FED)	FY91\$ BUDGETS	STATE SUPPORT \$	NEW STATE \$ FY91-FY89	OTHER REV % (LOCAL+FED)	NEW OTH REV % (LOCAL+FED)	
GENERAL(+CI)	465,420,214	287,563,888	62%	569,551,946	436,986,185	149,422,297	77%	132,565,761	(45,290,565)
RETIREMENT	54,092,199	8,375,890	15%	59,501,419	13,616,387	5,240,497	23%	45,885,032	168,723
TRANSPORTATION	28,860,437	10,574,537	37%	31,746,481	10,866,953	292,416	34%	20,879,528	2,593,628
TOTAL:	548,372,850	306,514,315	56%	660,799,846	461,469,525	154,955,210	70%	199,330,321	(42,528,214)
						----- -----			
						NET \$ GROWTH* (FY91\$-FY89\$)			
						112,426,996			

SOURCE: OPI, LEG FISCAL ANALYST & MEA FILES. * NOTE THAT FY89 EXPENDITURES ARE BEING COMPARED TO FY91 BUDGETS!

GENERAL FUND "STATE SUPPORT" DEFINITION: FOR FY89 = FOUNDATION+EQ PERM+SP.ED; FOR FY91 = FOUNDATION+GTB+SP.ED.
 RETIREMENT FUND "STATE SUPPORT" DEFINITION: FOR FY89 = LOTTERY DISTRIBUTION; FOR FY91 = RETIREMENT GTB.
 TRANSPORTATION FUND "STATE SUPPORT" DEFINITION: FOR BOTH FY89 & FY91 = STATE SCHEDULE APPROPRIATION + ELEM EQ PORTION.

HB28 constitutes an important first step toward reversing the downward slide in Montana school financing. Unfortunately, HB 28 fails a number of critical tests relating to the adequacy of state funding, disparity and equalization, as well as sufficiency of a balanced revenue base for future support of public school finance. HB28's serious shortcomings (many of which were identified and discussed by MEA and the education community with policy-makers as early as the summer of 1989) include:

- * HB28 does not pass Montana's "historical test" of equalization. The 1949 foundation plus permissive provided 92% equalized state/countywide revenues for the schools. HB 28, at best, provides 75% equalized or state source revenues and this level is likely to decrease rapidly.
- * The Court's equalization test. Federal standards for "legal equalization" mandate a spending disparity of no more than 25% between districts ranked at the 5th and 95th percentile of spending within accepted district size groupings. HB 28 fails the disparity test.

PRELIMINARY HB 28 DISPARITY RATIOS

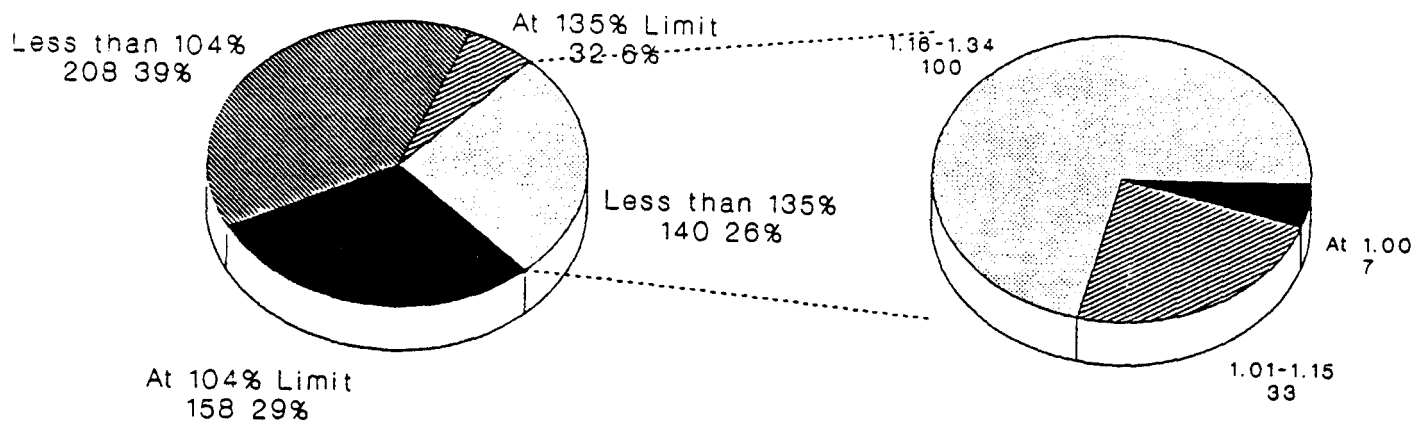
Category	95th to 5th Percentile	
	Elementary	Secondary
1	4.05	2.20
2	3.04	1.86
3	2.08	2.01
4	2.02	2.08
5	1.98	1.81
6	1.71	1.37

- * Continued uncertainty of revenue and reliance on property tax. More than \$15 million of HB 28 revenue is generated by a 5% surcharge on individual and corporate income taxes. The 5% surcharge sunsets at the end of FY91 and will not be available in future years. Moreover, approximately half of HB 28's foundation and GTB revenues will be property tax derived. No property tax relief will be experienced statewide.
- * Flat tax on oil, gas and coal - impact down the road. The "flat tax" for energy-dependent districts means that ordinary taxpayers (households, businesses, etc.) will pay for future school levy increases.
- * The largest school funds outside of the general and retirement funds -- transportation and capital/debt funds -- remain unequalized. Almost all of \$90 million spent in these funds remains dependent on unequalized local property tax revenues.

NO 250
1/28/91

The excessive level of spending disparity pursuant to HB28 is clearly related to underfunding of "the base" (i.e. the foundation schedules, special education, etc.), coupled with the allowance for "high spending" districts to increase their annual budgets by 4% each year. Apart from resulting disparity aspects of the 135% and 104% budget capping provisions of HB28, the caps themselves are triggered at such levels that many of Montana's schools will in the immediate future find their budgeting authority limited to 4% or less growth per year -- in otherwords, at current inflation rates, less than the growth rate needed to maintain constant dollar expenditure levels.

FY91 DISTRICT BUDGETING & CAPPING PATTERNS



One means of "fixing" HB 28 is to target a high level of state support for inflation adjusted education spending by a specified fiscal year. MEA supports future state support (primarily through foundation schedule increases) to be targeted at 85% of total, combined and inflation adjusted FY91 general, retirement and transportation fund actual expenditures.

If this target was implemented as early as FY93, Montana per pupil current expenditures would approximate the projected national average expenditure per pupil. Moreover, by targeting and indexing a high level of state support for inflation adjusted expenditures, a sufficient funding floor would be created to assure the funding base demanded by a "quality education for all." With such in place, the state could tighten HB 28's equalization constraints ("expenditure caps") in a manner that will meet legal tests.

EDUCATION FUNDING OPTIONS IN THE 1990'S
STATE & OTHER REVENUE FUNDING FOR THE GENERAL, RETIREMENT & TRANSPORTATION FUNDS

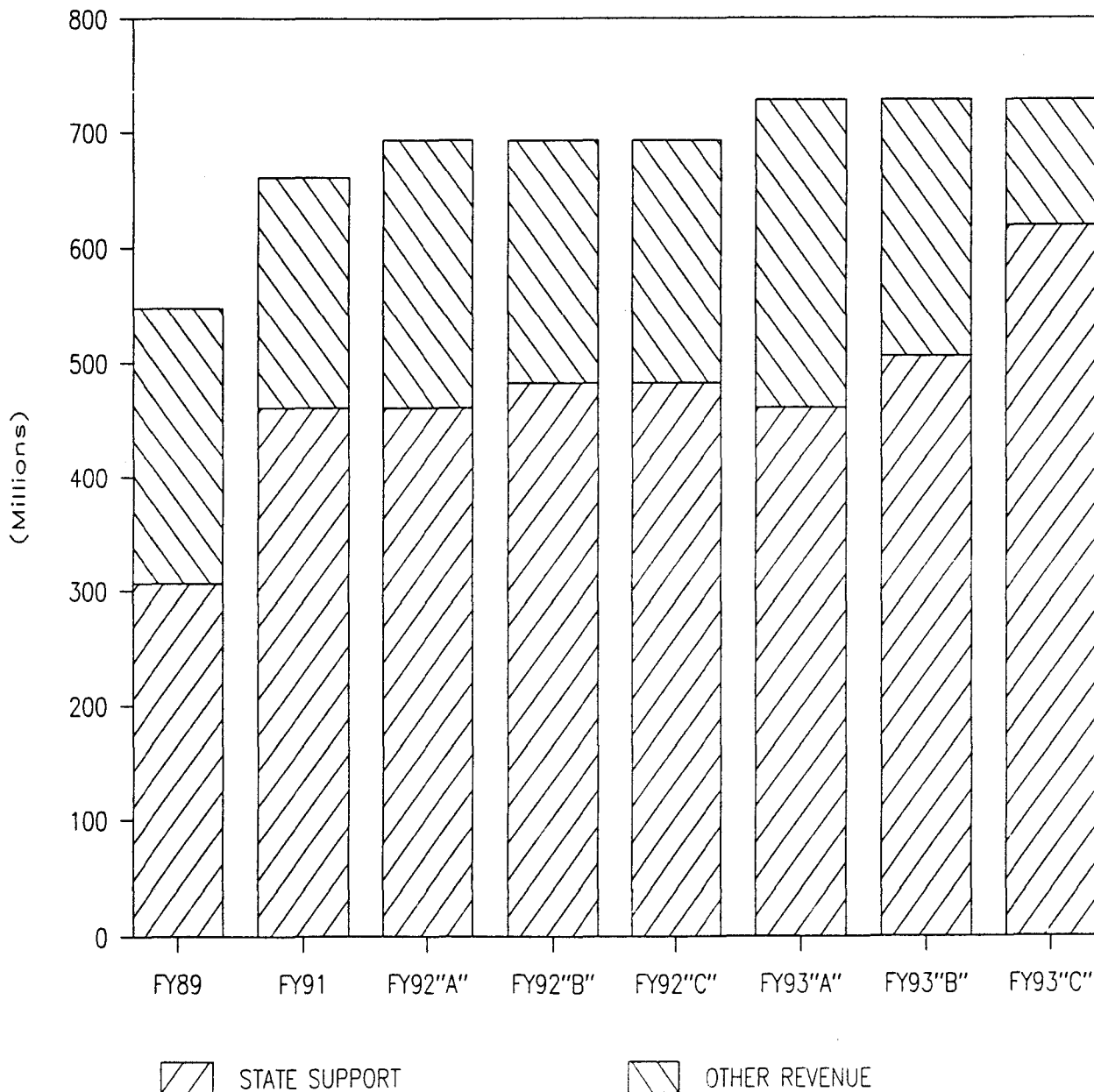
01/18/91

MD 200
1/28/91
Ex. 3

SCHOOL FUNDING (GEN+RET+TRANS FUNDS)	ACTUAL \$ FY89	PROJECTED \$ FY91	PROJECTED \$ FY92"A"	PROJECTED \$ FY92"B"	PROJECTED \$ FY92"C"	PROJECTED \$ FY93"A"	PROJECTED \$ FY93"B"	PROJECTED \$ FY93"C"
STATE SUPPORT	306,514,315	461,469,525	461,469,525	483,318,834	483,318,834	461,469,525	506,260,609	619,252,055
OTHER REVENUE	241,858,535	199,330,321	232,370,313	210,521,004	210,521,004	267,062,305	222,271,221	109,279,774
TOTAL:	548,372,850	660,799,846	693,839,838	693,839,838	693,839,838	728,531,830	728,531,830	728,531,830
INFLATION ADJUSTED 3% YR (FY91 BASE)	608,693,864	660,799,846	660,799,846	660,799,846	660,799,846	660,799,846	660,799,846	660,799,846

EDUCATION FUNDING OPTIONS IN THE 1990'S

STATE & OTHER REVENUE SUPPORT: FY89-93



170 220
1/28/91

MEA

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY92 COMPARED TO FY91
ASSUMING NO ADDITIONAL STATE SUPPORT ABOVE FY91 LEVELS ("A")

18-Jan-91

----- FY91 (1990-91) -----					----- PROJECTED FY92 (1991-92) -----				
FUND	FY91 BUDGET	STATE SUPPORT	OTHER REV		PROJ FY92\$	STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV
		\$	%	(LOCAL+FED)	(FY91\$+5%)	\$	%	FY92-FY91	(LOCAL+FED)
GENERAL(+CI)	569,551,946	436,986,185	77%	132,565,761	598,029,543	436,986,185	73%	0	161,043,358
RETIREMENT	59,501,419	13,616,387	23%	45,885,032	62,476,490	13,616,387	22%	0	48,860,103
TRANSPORTATION	31,746,481	10,866,953	34%	20,879,528	33,333,805	10,866,953	33%	0	22,466,852
TOTAL:	660,799,846	461,469,525	70%	199,330,321	693,839,838	461,469,525	67%	0	232,370,313

					NET \$ GROWTH* (FY92\$-FY91\$)				
					33,039,992				

SOURCE: OPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY93 COMPARED TO FY92
ASSUMING NO ADDITIONAL STATE SUPPORT ABOVE FY91 LEVELS ("A")

----- PROJECTED FY92 (1991-92) -----					----- PROJECTED FY93 (1992-93) -----				
FUND	PROJ FY92\$	STATE SUPPORT	OTHER REV		PROJ FY93\$	STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV
	(FY91\$+5%)	\$	%	(LOCAL+FED)	(FY92\$+5%)	\$	%	FY93-FY92	(LOCAL+FED)
GENERAL(+CI)	598,029,543	436,986,185	73%	161,043,358	627,931,020	436,986,185	70%	0	190,944,835
RETIREMENT	62,476,490	13,616,387	22%	48,860,103	65,600,314	13,616,387	21%	0	51,983,927
TRANSPORTATION	33,333,805	10,866,953	33%	22,466,852	35,000,495	10,866,953	31%	0	24,133,542
TOTAL:	693,839,838	461,469,525	67%	232,370,313	728,531,830	461,469,525	63%	0	267,062,305

					NET \$ GROWTH* (FY93\$-FY92\$)				
					34,691,992				

SOURCE: OPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

NO 200
1/28/91
Ex. 3

MEA

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY92 COMPARED TO FY91
ASSUMING 5% ADDITIONAL STATE SUPPORT FOR THE GENERAL FUND ABOVE FY91 LEVELS ("B")

18-Jan-91

----- FY91 (1990-91) -----					----- PROJECTED FY92 (1991-92) -----					
FUND	FY91 BUDGET	STATE SUPPORT	OTHER REV		PROJ FY92\$	STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV	
		\$	%	(LOCAL+FED)	(FY91\$+5%)	\$	%	FY92-FY91	(LOCAL+FED)	(LOCAL+FED)
GENERAL(+CI)	567,551,946	436,986,185	77%	132,565,761	598,029,543	458,835,494	77%	21,849,309	139,194,049	6,628,288
RETIREMENT	59,501,419	13,616,387	23%	45,885,032	62,476,490	13,616,387	22%	0	48,860,103	2,975,071
TRANSPORTATION	31,746,481	10,866,953	34%	20,879,528	33,333,805	10,866,953	33%	0	22,466,852	1,587,324
TOTAL:	660,799,846	461,469,525	70%	199,330,321	693,839,838	483,318,834	70%	21,849,309	210,521,004	11,190,683
					NET \$ GROWTH* (FY92\$-FY91\$)		-----			
							33,039,992			

SOURCE: OPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY93 COMPARED TO FY92
ASSUMING 5% ADDITIONAL STATE SUPPORT FOR THE GENERAL FUND ABOVE FY92 LEVELS ("B")

----- PROJECTED FY92 (1991-92) -----					----- PROJECTED FY93 (1992-93) -----					
FUND	PROJ FY92\$	STATE SUPPORT	OTHER REV		PROJ FY93\$	STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV	
	(FY91\$+5%)	\$	%	(LOCAL+FED)	(FY92\$+5%)	\$	%	FY93-FY92	(LOCAL+FED)	(LOCAL+FED)
GENERAL(+CI)	598,029,543	458,835,494	77%	139,194,049	627,931,020	481,777,269	77%	22,941,775	146,153,752	6,959,702
RETIREMENT	62,476,490	13,616,387	22%	48,860,103	65,600,314	13,616,387	21%	0	51,983,927	3,123,824
TRANSPORTATION	33,333,805	10,866,953	33%	22,466,852	35,000,495	10,866,953	31%	0	24,133,542	1,666,690
TOTAL:	693,839,838	483,318,834	70%	210,521,004	728,531,830	506,260,609	69%	22,941,775	222,271,221	11,750,217
					NET \$ GROWTH* (FY93\$-FY92\$)		-----			
							34,691,992			

SOURCE: OPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

no 200
1/28/91

MEA

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY92 COMPARED TO FY91
ASSUMING 5% ADDITIONAL STATE SUPPORT FOR THE GENERAL FUND ABOVE FY91 LEVELS ("C")

18-Jan-91

----- FY91 (1990-91) ----- PROJECTED FY92 (1991-92) -----

FUND	FY91 BUDGET	STATE SUPPORT	OTHER REV	PROJ FY92\$	STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV
		\$ %	(LOCAL+FED)	(FY91\$+5%)	\$ %	FY92-FY91	(LOCAL+FED)	(LOCAL+FED)
GENERAL(+CI)	569,551,946	436,986,185	77% 132,565,761	598,029,543	458,835,494	77% 21,849,309	139,194,049	6,628,283
RETIREMENT	59,501,419	13,616,387	23% 45,885,032	62,476,490	13,616,387	22% 0	48,860,103	2,975,071
TRANSPORTATION	31,746,481	10,866,953	34% 20,879,528	33,333,805	10,866,953	33% 0	22,466,852	1,587,324
TOTAL:	660,799,846	461,469,525	70% 199,330,321	693,839,838	483,318,834	70% 21,849,309	210,521,004	11,190,683
				NET \$ GROWTH* (FY92\$-FY91\$)		33,039,992		

SOURCE: CPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

PROJECTED STATE & LOCAL SCHOOL FUNDING IN FY93 COMPARED TO FY92
ASSUMING 85% STATE SUPPORT FOR THE GENERAL, RETIREMENT & TRANSPORTATION FUNDS IN FY93 ("C")

----- PROJECTED FY92 (1991-92) ----- PROJECTED FY93 (1992-93) -----

FUND	PROJ FY92\$	STATE SUPPORT	OTHER REV	PROJ FY93\$	85% STATE SUPPORT	NEW STATE \$	OTHER REV	NEW OTH REV
	(FY91\$+5%)	\$ %	(LOCAL+FED)	(FY92\$+5%)	\$ %	FY93-FY92	(LOCAL+FED)	(LOCAL+FED)
GENERAL(+CI)	598,029,543	458,835,494	77% 139,194,049	627,931,020	533,741,367	85% 74,905,873	94,189,653	(45,004,396)
RETIREMENT	62,476,490	13,616,387	22% 48,860,103	65,600,314	55,760,267	85% 42,143,880	9,840,047	(39,020,056)
TRANSPORTATION	33,333,805	10,866,953	33% 22,466,852	35,000,495	29,750,421	85% 18,883,468	5,250,074	(17,216,777)
TOTAL:	693,839,838	483,318,834	70% 210,521,004	728,531,830	619,252,055	85% 165,933,221	109,279,774	(101,241,229)
				NET \$ GROWTH* (FY93\$-FY92\$)		34,691,992		

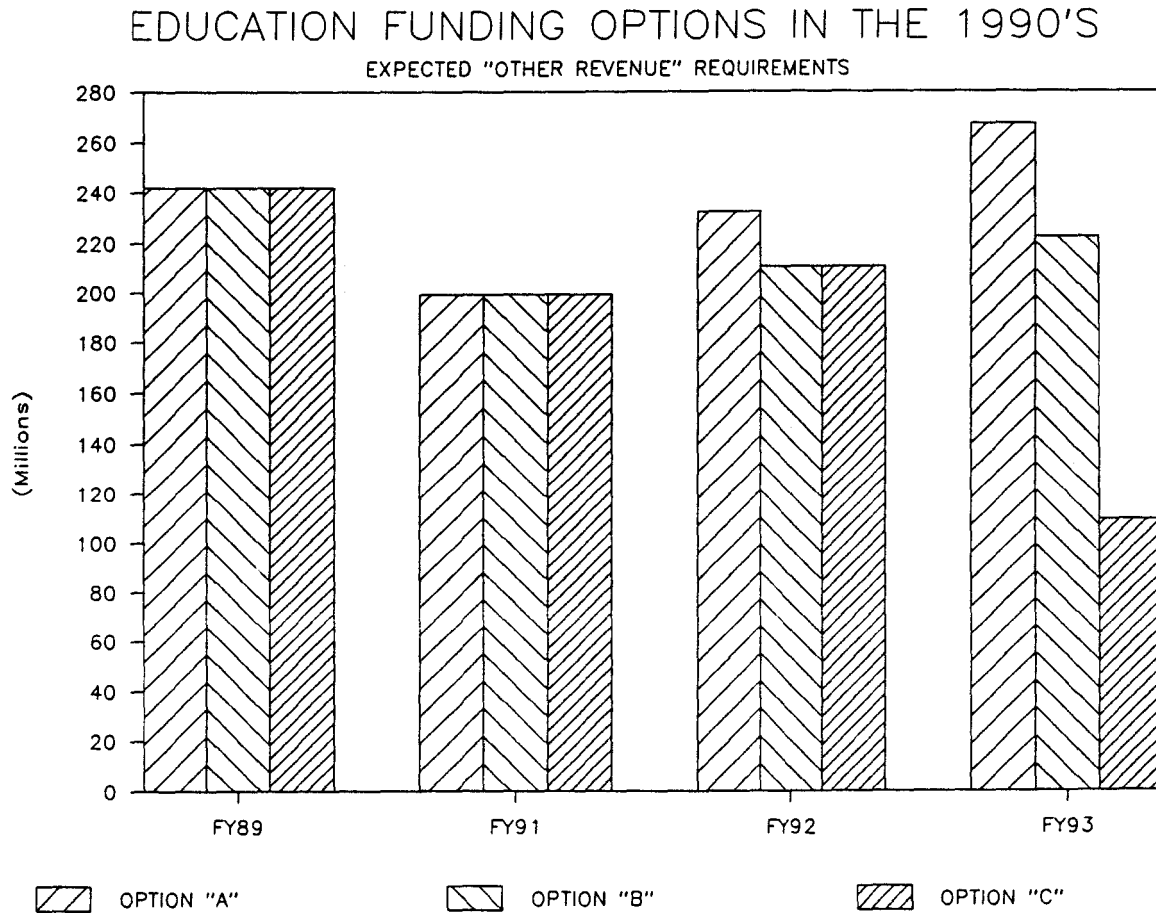
SOURCE: CPI, LEG FISCAL ANALYST & MEA FILES. * "NET \$ GROWTH" EQUALS THE COST OF INFLATION; ZERO INFLATION ADJUSTED GROWTH.

NEA

EDUCATION FUNDING OPTIONS
EXPECTED "OTHER REVENUE" REQUIREMENTS

01/18/91

"OTHER REVENUE"	ACTUAL \$ FY89	PROJECTED \$ FY91	PROJECTED \$ FY92	PROJECTED \$ FY93
OPTION "A"	241,858,535	199,330,321	232,370,313	267,062,305
OPTION "B"	241,858,535	199,330,321	210,521,004	222,271,221
OPTION "C"	241,858,535	199,330,321	210,521,004	109,279,774



UNDERFUNDED SCHOOL COALITION

PROPOSED AMENDMENTS TO HOUSE BILL NO. 238

1. Title, line 6.

Following: "DISTRICT;"

Insert: "AND PROVIDING FOR AN ANNUAL INCREASE IN FOUNDATION PROGRAM SCHEDULES EQUAL TO ANNUAL INFLATION."

2. Page 3.

Following: line 8.

Insert: "NEW SECTION. Section 2. (1) By July 1 of each school fiscal year beginning with July 1 of 1991, the Superintendent of Public Instruction shall multiply the foundation program schedule amounts contained in Sections 20-9-318 and 20-9-319 by the inflation factor for the immediate preceding calendar year, which results are the foundation program schedules for that school fiscal year.

(2) As used in this section:

(a) The term 'inflation factor' means a number determined for each school fiscal year by dividing the consumer price index for December of the preceding calendar year by the consumer price index for December 1989.


(b) The term 'consumer price index' means the consumer price index, United States city average, for all items as published by the Bureau of Labor Statistics of the U.S. Department of Labor using the December 1989 index value as the base.

Renumber subsequent sections.

MONTANA RURAL EDUCATION ASSOCIATION

P.O. BOX 5418
HELENA, MONTANA 59604
(406) 442-8813
FAX (406) 442-8839

MEMORANDUM

TO: House Education Committee
FROM: Chip Erdmann, Lobbyist 
RE: HB 238, Representative Boharski
Imposing More Restrictive Budget Caps
DATE: January 28, 1991

HB 238 would decrease the current 104% general fund budget cap for most school districts in Montana, depending upon the percentage between a school's general fund budget and the foundation program amount. If this percentage is less than 146% the budget cap will remain at the current 104%. If the ratio is 170% the district's budget will be frozen. Districts between the two extremes will be capped at 103%, 102% and 101% depending upon the ratio percentage.

Enactment of HB 238 would place school districts between the proverbial rock and a hard place. School districts are facing increasing costs due to inflation and new programs mandated by the state. Even under the 104% budget caps, many districts cannot meet all of these obligations. HB 238, however, is particularly discriminatory against small rural school districts.

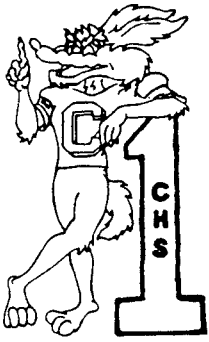
It is the belief of the Montana Rural Education Association that the current foundation program schedules do not accurately reflect the cost of delivering educational services to smaller school districts. In other words it costs more to provide educational services to a rural student than is currently reflected in the foundation schedule. For this reason you will find that the general fund/foundation program percentage for rural school districts is almost always higher than their urban counterparts. The reason for this is simply that the top end of the foundation schedules, which fund the larger schools, more accurately reflect the cost of educating students in high enrollment schools. The lower end of the schedules simply do not reflect the added costs of providing education in rural Montana.

HB 238
1/28/91

You will hear today that the larger schools will be unable to meet the new Project Excellence accreditation standards if they are even held to a 104% cap. The smaller rural school districts, many of which will be frozen under this proposed legislation, would be actually forced to eliminate programs as costs increase and budgets are frozen. This will certainly widen the gap between the educational opportunities now offered in the rural schools as compared to the opportunities offered in the larger schools.

If the foundation program schedule is not adjusted to properly reflect the greater costs associated with providing education in rural Montana, the Montana Rural Education Association can only advocate the removal of all budget caps until there is a comprehensive solution to this inequitable situation.

We would urge a "do not pass" vote on HB 238.



CHESTER PUBLIC SCHOOLS

BOX 550
CHESTER, MONTANA 59522

EXHIBIT # 6
DATE 1-28-91
HB 238

(406) 759-5108
High School

(406) 759-5477
Elementary

TESTIMONY OPPOSING HB 238

My name is Jim Foster and I am the superintendent of schools at Chester, MT. Thank you for allowing me the opportunity to speak in opposition to HB 238.

I am amazed and appalled when I examined the effect of HB 238. The data I examined comes from the Office of Public Instruction 1990-91 budget reports, November 5, 1990. My primary concern was to determine which schools are going to be capped and which ones are not. The following are the results of my review:

1. Forty seven (47) largest schools budgets are not frozen.
2. The 47 largest spend \$286,744,697 which is 50% of the total state budget.
3. Forty seven (47) of the smallest schools budgets are frozen.
4. The 47 smallest schools spend \$10,533, 377 or 2% of the total state budget.
5. Billings Elementary spends 3 times more than the combined total of the 47 smallest schools.
6. The highest average teachers salary in the AA schools is \$38,325. North Harlem Colony Elem. total budget is \$31,084.

Why would we ever want to think that this kind of a funding system is fair?

HB 238
1/28/91

DISTRICT NAME	BUDGET CAP	FY 91 RATIO GF/FP
BEINGS ELEM	31,773,672.00	1.35
EAT FALLS EL	25,221,842.00	1.38
COULA ELEM	17,948,680.00	1.41
INGS HS	17,256,501.00	1.35
ENA ELEM	13,990,021.00	1.47
COULA HS	14,032,854.00	1.51
E ELEM	13,913,304.00	1.60
EAT FALLS HS	13,803,683.00	1.52
ENA HS	10,571,170.00	1.50
MAN ELEM	8,780,381.00	1.30
ETSPELL ELEM	7,606,067.00	1.35
TE HS	7,604,704.00	1.64
HEAD HS	7,072,877.00	1.35
MAN HS	5,070,192.00	1.51
COLUMBIA FALLS ELEM	4,691,153.00	1.35
Y ELEM	4,580,996.00	1.37
IN ELEM	4,401,343.00	1.69
ELSON ELEM	3,097,806.00	1.10
ERS CITY ELEM	3,971,568.00	1.35
EY ELEM	3,851,947.00	1.50
WISTOWN ELEM	3,843,921.00	1.17
OREL ELEM	3,776,709.00	1.35
ONDA ELEM	3,697,237.00	1.42
E HS	3,670,237.00	1.35
ENDIVE ELEM	3,607,812.00	1.35
TEFISH ELEM	3,472,309.00	1.19
RADE ELEM	3,382,721.00	1.30
AVRE ELEM	3,285,015.00	1.35
WINGSTON ELEM	3,267,938.00	1.35
ON ELEM	2,931,761.00	1.35
MILTON ELEM	2,662,665.00	1.35
STEVENSVILLE ELEM	2,085,059.00	1.35
COLUMBIA FALLS HS	1,590,479.00	1.57
ER CO HS	2,558,165.00	1.48
BBY HS	2,541,218.00	1.52
ONDA HS	2,500,862.00	1.49
LODGE ELEM	2,182,873.00	1.47
WHITEFISH HS	2,043,988.00	1.40
LAPPEL HS	1,891,089.00	1.36
BERHEAD CO HS	1,875,525.00	1.53
PARR HS	1,838,452.00	1.47
FERGUS HS	1,654,268.00	1.44
POSON HS	1,571,143.00	1.33
MILTON HS	1,556,472.00	1.35
TEVENSVILLE HS	1,349,247.00	1.35
ELL CO HS	1,345,311.00	1.59
RADE HS	1,321,460.00	1.35
LARGEST NOT CAPPED	286,744,697.00	
TOTAL STATE BUDGET	576,840,994.00	

DISTRICT NAME	BUDGET CAP	FY 91 RATIO GF/FP
N HARLEM COLONY ELEM	31,084.00	2.95
TWO DOT ELEM	41,621.00	1.76
PENDROY ELEM	45,921.00	1.73
BENTON LAKE ELEM	48,334.00	2.04
CANAS PRAIRIE ELEM	49,756.00	1.88
KNEES ELEM	50,474.00	1.81
LOMA ELEM	51,171.00	4.33
BASIN ELEM	57,341.00	2.02
CARTER ELEM	57,652.00	4.69
SQUIRREL CREEK ELEM	64,724.00	2.53
MOLT ELEM	69,932.00	2.36
TRINTIY ELEM	70,209.00	1.72
INGOMAR ELEM	76,994.00	2.79
GARRISON ELEM	78,365.00	2.24
MUSSELLSHELL ELEM	87,766.00	2.09
BORSON ELEM	92,721.00	2.39
EDGAR ELEM	107,786.00	1.95
MORIN ELEM	121,257.00	2.11
BELLE CREEK ELEM	139,380.00	4.29
GALATA ELEM	140,192.00	1.83
HIAMATHA ELEM	150,800.00	2.80
E GLACIER ELEM	245,131.00	2.53
DIXON ELEM	255,476.00	2.49
LUSTRE ELEM	259,428.00	1.81
FORT PECK ELEM	267,517.00	3.83
RYEGATE ELEM	279,238.00	1.87
ROY ELEM	285,848.00	2.91
OUTLOOK HS	301,298.00	2.10
RYEGATE HS	301,757.00	1.73
ROSEBUD HS	304,966.00	1.72
PRERLESS HS	337,410.00	1.99
GRASSRANGE HS	338,000.00	1.88
PRERLESS ELEM	340,680.00	1.96
ROY HS	345,328.00	2.40
RAPELJE HS	351,115.00	2.19
HINSDALE ELEM	358,167.00	1.89
OUTLOOK ELEM	359,726.00	2.28
RAPELJE ELEM	363,722.00	1.98
CUSTER ELEM	378,019.00	2.07
FROID ELEM	381,207.00	1.71
K-G HS	382,980.00	2.13
WHITWATER HS	384,143.00	2.26
BRADY ELEM	389,287.00	1.76
CUSTER HS	398,424.00	1.81
WHITWATER ELEM	412,559.00	2.39
JOPLIN HS	431,600.00	2.16
DODSON HS	446,871.00	1.75
SMALLEST CAPPED	10,533,377.00	
TOTAL STATE BUDGET	576,840,994.00	

Members of the House Education Committee:

EXHIBIT

DATE

1-28-91

HB 238

For the record, my name is Richard L. Shaffer, and I am Superintendent of the Big Sandy Public Schools. I speak on behalf of my school district in opposition to HB 238.

Our understanding is that the purpose of this bill is to address the perceived problem of schools who dumped funds from reserves into the general fund in order to inflate budgets prior to HB 28, thus enlarging 4% cap margins. This legislation may or may not accomplish that purpose. But whether it does or does not, what it most certainly will do is once again punish those districts who have been consistently fiscally responsible.

622-3242. That's the telephone number of the Chouteau County Superintendent of Schools. I invite you to call and ask him about Big Sandy. I remember clearly a conversation with him when I came to work in Big Sandy. The gist of that conversation was that I was coming into a district with a well-known reputation for fiscal responsibility with a board conservative to the point of being parsimonious, and a place where every dollar was squeezed till it squeaked. You know what? He was exactly correct. That is precisely how the Big Sandy Board of Trustees has always operated. Bare bones basic budgets, careful consideration of all expenditures, constantly searching for bargains, soliciting donations, putting off even basic maintenance, making do, doing whatever was necessary to make ends meet and control taxes while providing good solid basic education.

Recently, you folks passed HB 28, which capped budgets for most districts at 104% of the previous year's budget. Did you give any thought at that time to who was being most hurt by that action? Did you realize that those who would suffer most were formerly your closest allies, i.e., those districts who had been the most careful in controlling expenditures, those districts who never had large reserves in the first place to dump into the general fund? Obviously, when you capped budgets at 104%, those with the lowest budgets wound up with the smallest growth potential. That alone was tough enough to swallow as a reward for having acted responsibly. But did you also realize that the capping concept practically forces districts to budget at or near the cap each year because they know that if they don't, they lose growth potential for all future years? After all, it doesn't take a rocket scientist to know that 104% of \$500,000 is more than 104% of any smaller number.

To give you a concrete example of the effect of the caps, total spending growth potential in our district last year was approximately \$54,000. The cost of absorbing comprehensive insurance cost in that cap (another legislative gem) was \$26,000. The cost of our collective bargaining settlement was \$34,600. That totals \$60,600, meaning that our district was forced to reduce other GFB line items by \$6,600 in order to operate. Meanwhile, our pattern of reserves has held steady, exhibiting a gradual decline as local taxpayers assume more and more of the burden of education. No great decreases in reserves to indicate dumping into the general fund. But will that matter with this legislation? No.

Neither does HB 238 take into account those districts where taxpayers have always given great support through voted levies, districts where there has been a significant disparity between the foundation program and actual costs for a long time. It does not recognize the basic inequity of the foundation program, whose rates fail, even today, to in any reasonable manner reflect the cost of education.

HB 238
1/28/91

My district will lose \$21,000 in foundation program revenue this year because of declining enrollment. The gap between foundation program and actual costs will thus widen. You want to freeze budgets because of that. That does not make any sense. I can't seem to make utility and fuel suppliers understand your concept. Or do I misunderstand? Perhaps you also intend to freeze those costs to us. Or perhaps you intend to limit spending mandated by collective bargaining agreements? Or freeze insurance costs, up over 90% in the last four years? Or textbook costs? Or, ad infinitum.

Please do not advance this legislation. If you want to address a problem, isolate that problem and do so. But don't paint us all with the same brush.

Richard L. Slagter

378-2501

FLATHEAD COUNTY

SUPERINTENDENT OF SCHOOLS

EXHIBIT FF D
DATE 1-28-91
HB 254

Dorothy Laird

723 Fifth Avenue East, Room 104

• Kalispell, Montana 59901 •

(406) 752-5300 Ext. 351-
756-5645

January 25, 1991

TO: Rachel, Karl and Kay
FROM: Dorothy *DL*
RE: HB 254

When I compared the definitions used in HB 254 with the definitions used in 10.20.101 ARM, I discovered some interesting differences. Is it possible that HB 254 is intended to permit schools to count only students who are present when they compute their ANB?

Also, I still have difficulty with the use of the words "originally enrolled" in 20-9-165 (2) (c) M.C.A. Lynda Brannon always says to use the figures from the enrollment information obtained the first Monday in October, but I do not think that the law specifies that date. Because Flathead County districts always seem to be requesting emergency budgets for increased enrollment, I am eager to have a change in the wording in the law.

7-3-1348.

Management of school money, Title 7, ch. 6, part 28.

Education, Title 20.

School district trustees generally, Title 20, ch. 3, part 3.

Attachment of property under control of trustees, 27-18-406.

Governmental code of fair practices — application to school districts, 49-3-102.

Issuance of coal-mining permit to trustees, 77-3-321.

998, 1002, 1004, 1070.

Cross-references, 1889 and 1972 Constitutions, Vol. II 757.

Debate — committee report, Trans. 1971, 1977, 2046 through 2048, 2564 through 2062, 2103, 2165.

Debate — style and drafting report, Trans. 2576, 2928.

Delegate proposals, Vol. I 240.

Final consideration, Trans. 2674, 2675.

Text as adopted, Vol. II 1100.

Section 9. Boards of education. (1) There is a state board of education composed of the board of regents of higher education and the board of public education. It is responsible for long-range planning, and for coordinating and evaluating policies and programs for the state's educational systems. It shall submit unified budget requests. A tie vote at any meeting may be broken by the governor, who is an ex officio member of each component board.

(2) (a) The government and control of the Montana university system is vested in a board of regents of higher education which shall have full power, responsibility, and authority to supervise, coordinate, manage and control the Montana university system and shall supervise and coordinate other public educational institutions assigned by law.

(b) The board consists of seven members appointed by the governor, and confirmed by the senate, to overlapping terms, as provided by law. The governor and superintendent of public instruction are ex officio non-voting members of the board.

(c) The board shall appoint a commissioner of higher education and prescribe his term and duties.

(d) The funds and appropriations under the control of the board of regents are subject to the same audit provisions as are all other state funds.

(3) (a) There is a board of public education to exercise general supervision over the public school system and such other public educational institutions as may be assigned by law. Other duties of the board shall be provided by law.

(b) The board consists of seven members appointed by the governor, and confirmed by the senate, to overlapping terms as provided by law. The governor, commissioner of higher education and state superintendent of public instruction shall be ex officio non-voting members of the board.

Cross-References

Governor, Superintendent of Public Instruction as executive officers, Art. VI, sec. 1, Mont. Const.

Board of Regents exempt from Montana Administrative Procedure Act, 2-4-102.

Governor as member of State Board of Education, 2-15-201.

Superintendent of Public Instruction, 2-15-701; Title 20, ch. 3, part 1.

State Board of Education, 2-15-1501.

Board of Regents, 2-15-1505.

Commissioner of Higher Education, 2-15-1506.

Board of Public Education, 2-15-1507.

Appointments to Boards, 2-15-1508.

Agencies, boards, commissions, and councils allocated to State Board of Education, 2-15-1511 through 2-15-1520.

9
EXHIBIT
DATE 1-28-91
HE 253

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

EDUCATION & CULTURAL RESOURCES

COMMITTEE

BILL NO. 238

DATE 1-28-91

SPONSOR(S) Boharski

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Larry Tasbender	Ht Falls Public School		✓	
Sele Campbell Box 376	Saco Schools		✓	
Sharon Manderville	Saco Public Schools		✓	
Karla Beadle	Saco Public School		✓	
Beverly Pippin	Saco Public School		✓	
Dennis Williams	Concord Public Schools		✓	
CHIP EDMUND	Mt River Elementary School		X	
Back Taylor	SACO Public Schools		✓	
Dacki Bryson	Saco Public School		✓	
LARRY Crowder	SACO Public School		✓	
Jim Smith	Blue Sky Schools Rudy		✓	
TOM BILODEAU	MEA		✓	
Koran Frager	S.A.M.		✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

RES. _____ COMMITTEE _____ BILL NO. HB 238
SPONSOR(S) BOHARSKI

NO. 254

PRINT PLEASE PRINT PLEASE PRINT

ADDRESS	REPRESENTING	SUPPORT	OPPOSE
en ng	MACSS		✓
n	Underfunded Schools		✓
elon	MFT		✓
ra	POWELL COUNTY SCHOOLS		✓
man	OPI -		✓
lan	Sunburst Schools		✓
I	Chester Schools		✓
LETT	CHESTER		✓
y n	Shelby Schools		✓
nn	Indian Impact Schools		✓

PLEASE PRINT

BILL	OPPOSE	SUPPORT
54	✓	
521	✓	

PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
YOU CARE TO SUBMIT WRITTEN TESTIMONY.

STATEMENT FORMS

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

EDUCATION & CULTURAL RESOURCES COMMITTEE BILL NO. 253
 DATE 1-28-91 SPONSOR(S) Simpkins

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Ray McPenna	MACS	252	✓	
Mr. Flew	MSA	253	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.