

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION

Call to Order: By Senator Fritz, Vice Chair, on January 8, 1993,
at 1 p.m.

ROLL CALL

Members Present:

Sen. Harry Fritz, Vice Chair (D)
Sen. Bob Brown (R)
Sen. John Hertel (R)
Sen. Dennis Nathe (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)
Sen. Bill Wilson (D)
Sen. Bill Yellowtail (D)

Members Excused: Senator Blaylock, Chair

Members Absent: Senator Stang

Staff Present: Eddy McClure, Legislative Council
Sylvia Kinsey, Committee Secretary

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

Committee Business Summary:

Hearing: Senate Bill 31, 32
Executive Action: Senate Bill 31

HEARING ON SENATE BILL 32

Opening Statement by Sponsor:

Senator Bob Brown presented SB 32 in the absence of Chair Blaylock. He said this bill is an attempt to take a step toward compliance of a court directive on equalization of the debt structure for public schools. He gave some previous history on guaranteed tax base aid (GTB) for the debt service fund of a school district if the mill value per ANB is less than the corresponding statewide mill value per Average Number Belonging (ANB). He said House Bill 28 was passed during the special session in Dec. 1989 in response to the Loble decision and the Supreme Court decision which upheld the Loble decision. The Loble decision declared unconstitutional the way we fund our Foundation Program debt schedules, Teachers Retirement, Transportation and Capital Improvement, and the subject of this

bill is Capital Improvement. House Bill 28 dealt specifically with the Foundation Program by putting it on the GTB and also the retirement levies, but did not deal with the other two programs which were found unconstitutional, capital expenditures and improvements as well as transportation. The Supreme Court gave us two extra years to deal with these two issues, and nothing was done in the '91 session. An interim committee was formed and this bill is the result of that committee. When a school district needs to build a building or make some major capital improvement, and may not be able to bond itself because of the Loble decision, then the government is obligated to do something. This bill provides a step toward a solution in providing a GTB concept to capital construction projects as it has already been applied to the area of retirement and the foundation program schedules. There should be a fiscal note attached to the bill but he had not seen it. He had been told it would be around \$5 million or \$6 million that would be necessary to implement this and presumed this money would come out of a general fund source. He felt that would be was a factor this committee should consider.

Madalyn Quinlan, Office of Public Instruction (OPI) told the committee she had prepared a fiscal note but it was not out of the budget office as yet. Her draft estimated the cost of this bill is \$6.5 million in fiscal '94 and \$6.7 million in fiscal '95.

Proponents' Testimony:

Loren Frazier, School Administrators of Montana, said a committee of Superintendents worked on this issue, and it as close to helping the situation as anything that we had. He said they would like a weighted formula, but because of the urgency and importance of capital outlay, we will support this bill.

Ernie Jean, Missoula, Chairman of the School Administrators committee (SAM), said he had worked with the interim committee closely, and supports this proposal which they feel is an excellent step forward. He said capital improvements was a problem that was very hard to manage with the growth in the districts. His school district passed 42% indebtedness for the next 20 years. They put in 11 new class rooms and remodeled four others. They still have problems where they are not in compliance, are at their maximum bondedness and have saddled their voters with 90 mills for 20 years to pay off the building.

Madalyn Quinlan, OPI, said the Superintendent of Public Instruction is a proponent of this bill. The Loble decision in 1988 said the school funding system is inequitable because of the reliance on voter authorization of school bonds and a debt limitation of 45% on the taxable valuation of a district. The decision also said the funding of capital outlay is a greater burden on property poor districts because the mill levy to meet the annual debt service is that much higher in a poor district.

Ms. Quinlan handed out (exhibit 1) which consisted of eight high school districts with roughly 100 students, and pointed out this bill increases the bonding capacity of poor districts. She used the Noxon High School district as opposed to Rocky Boy High School on both charts as an example.

Tom Bilodeau, Montana Education Association (MEA) said he had looked over the materials prepared for the '89 session. GTB was seen as an appropriate means of addressing capital building costs but was not enacted as a part of HB 28 and the court gave us two additional years to address capital costs. The interim committee between '89 and '91 found no resolution of the problem and in the '91 session no additional assistance was found for those property poor districts. This bill is the product of at least two interim committees work on capital costs, is an issue before Judge Sherlock presently and is a step in the right direction. This has a fiscal impact, but we must recognize that these costs currently exist and it is a question of whether they will be paid for by wealth neutral source revenues, by unequal local property tax effort, or if they are going to go unmet and you suffer the consequences in school program and facilities. As is the case with permissive GTB, this requires voter approval in order to receive the state subsidy monies.

Pat Melby, School Equity Coalition, said they support this bill because it is a step forward in trying to bring some form of equalization to the capital outlay of school funding. They qualify their support because they feel it is half way toward equalization in this area. They support the bill with two reservations, there will still be a large disparity between tax payer efforts in the below average school districts even though they are brought up to average by GTB, and those school districts that have wealth per student above average. The second reservation is that adequate school facilities are still at the whim of the taxpayer.

Terry Minow, Montana Federation of Teachers, said they support this bill and are pleased with this step toward equalization that has been proposed so early in the session.

Gene Huntington, Dain Bosworth Inc., a regional financial services firm that serves as a financial advisory to school districts and underwriter of school district bonds said he had followed the interim committee and felt this was a good bill and in a technical sense he had no reservations about the bill. He said unless some action is taken on this bill or another bill the school districts will not be able to sell bonds and the bond attorneys will not provide the unqualified opinion that is needed on a bond issue to make it saleable. This would make a very limited market or no market for school bonds.

Rick Floren, Assistant Superintendent for Havre public schools said they are currently in the middle of a construction project. There is a definite need in our schools for additional

construction and capital outlay. In spite of the building they will still be using classrooms in a building that is 80 years old.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Nathe asked Ms. Quinlan how far off we were on the GTB in House Bill 28. He said when the bill was first implemented they made estimates and were \$16 million to \$18 million off in the first fiscal year. Ms. Quinlan said her recollection was \$12 million.

Senator Nathe said that is because we under estimated the utilization of the GTB etc. He asked what the basis is for the assumption of the GTB here and if we would be making a similar under-estimation of what the cost will be. Ms. Quinlan said in order to prevent that under estimation she prepared the fiscal note by assuming the school system debt service budgets would grow by a little over 3% a year, which is how they grew between fiscal '91-'92 and '92-'93. Those inflationary amounts are built into the budget. She then looked at FY '92 and '93 to see if this bill had been in place, what percentage of the total debt service would have been funded with GTB, and it was roughly 21%. She used that figure on these inflated budgets in '94 and '95, and 21.6% of that total debt service budget would be met with GTB.

Senator Waterman asked if this would be retro-active for people who have passed bonds. Ms. Quinlan said it would be retro-active. Any district that has a mill levy for bonds that have been issued will qualify under this bill. At the present time districts budget approximately \$30 million a year for debt service budgets and we are saying here we will provide GTB aid on those budgets.

Closing by Sponsor:

Senator Brown closed by saying he felt the committee understood the bill.

HEARING ON SENATE BILL 31

Opening Statement by Sponsor:

Senator Brown presented SB 31, saying this is a house keeping bill. In 1991 Senator Van Valkenburg introduced SB 82 which

split the funding of transportation between the states and the counties, where before the school districts had also been involved in school transportation funding. SB 82 probably helped in a minor way on equalization of transportation, but not significantly. The bill did increase the amount of reimbursement the state makes available for families who have to transport children at their own expense either from home to school or home to a school bus stop. As that bill was introduced there was about a 12.5% increase in the funding and the 20 cents per mile went to about 22.5 cents per mile. We became extremely concerned about costs and Senator Van Valkenburg asked for an amendment so the increase was 6.25% which made the increase per mile 21.25 cents. In the process of the amending, the section that deals with reimbursement from home to school was amended to reflect the change but the other was not. This bill would bring both the home to school reimbursement and the home to school bus stop reimbursement into conformity and gives both the 6.25% increase. In the process of drafting or amending the bill there is a reference to a county reserve fund for the purpose of transportation and since there is already a reserve fund in the district level for transportation, it is not necessary to have the references to the county fund. This bill would delete those references. He believed the bill would contain a proposed amendment which would clarify the definition of transportation. This would assure that school districts are not held liable for pupils in our public schools who are taken as far as the school bus stop and then proceed on into school in private transportation. There is some question of school district liability unless this clarification is made in the amendment.

Proponents' Testimony:

Jan Thompson, OPI, said they support the bill as introduced, basically to address problems that were brought to their attention by people in the school district which was mainly the reimbursement rates of home to school and home to bus, individual contracts and to clean up the language referencing the county transportation reserve. She said they also support the amendment by Senator Blaylock because they have had their attention drawn to a child being transported to a bus stop, getting off the bus and getting into a car with other kids and the school has no control over what happens from the bus stop to home.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

None.

Closing by Sponsor: Senator Brown said he closed.

EXECUTIVE ACTION ON SENATE BILL 31

Motion: Senator Waterman moved to amend SB 31, (exhibit 2)

Discussion:


None.

Motion/Vote: Senator Waterman moved SB 31 DO PASS AS AMENDED.
The motion PASSED unanimously.

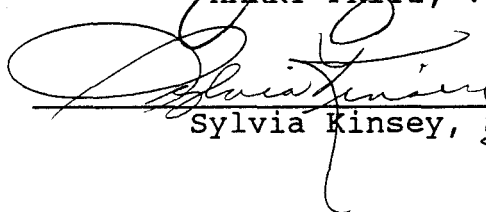
Senator Fritz announced they would wait for the fiscal note to act on SB 32. He said there are four bills scheduled for hearing on Monday.

ADJOURNMENT

Adjournment: 4:20 p.m.



HARRY FRITZ, Vice Chair



Sylvia Kinsey, Secretary

HF/sk

EDUCATION

DATE _____

1/8/93

PRESENT

ABSENT

EXCUSED

F08

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
January 8, 1993

MR. PRESIDENT:

We, your committee on Education and Cultural Resources having had under consideration Senate Bill No. 31 (first reading copy -- white), respectfully report that Senate Bill No. 31 be amended as follows and as so amended do pass.

Signed:  VICE-CH.
Chet Blaylock, Chair

That such amendments read:

1. Title, line 9.

Following: "SECTIONS"

Insert: "20-10-101,"

Following: "20-10-142"

Insert: ", "

2. Page 1, line 13.

Following: line 12

Insert: "Section 1. Section 20-10-101, MCA, is amended to read:

"20-10-101. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) An "eligible transportee" means a public school pupil who:

(a) is 5 years of age or older and has not attained his 21st birthday or who is a preschool child with disabilities between the ages of 3 and 6;

(b) is a resident of the state of Montana;


(c) regardless of district and county boundaries, resides at least 3 miles, over the shortest practical route, from the nearest operating public elementary school or public high school, whichever the case may be; and

(d) is considered to reside with his parent or guardian who maintains legal residence within the boundaries of the district furnishing the transportation regardless of where the eligible transportee actually lives when attending school.

(2) (a) A "school bus" means, except as provided in subsection (2)(b), any motor vehicle that:

(i) complies with the bus standards established by the board of public education as verified by the Montana department of justice's semiannual inspection of school buses and the superintendent of public instruction; and

(ii) is owned by a district or other public agency and operated for the transportation of pupils to or from school or owned by a carrier under contract with a district or public

 Amd. Coord.
Sec. of Senate

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agency to provide transportation of pupils to or from school.

(b) A school bus does not include a vehicle that is:

(i) privately owned and not operated for compensation under this title;

(ii) privately owned and operated for reimbursement under 20-10-142;

(iii) either district-owned or privately owned, designed to carry not more than nine passengers, and used to transport pupils to or from activity events or to transport pupils to their homes in case of illness or other emergency situations; or

(iv) an over-the-road passenger coach used only to transport pupils to activity events.

(3) "Transportation" means:

(a) a district's conveyance of a pupil by a school bus between his legal residence or an officially designated bus stop and the school designated by the trustees for his attendance; or

(b) "individual transportation" whereby a district is relieved of actually conveying a pupil. Individual transportation may include paying the parent or guardian for conveying the pupil, reimbursing the parent or guardian for the pupil's board and room, or providing supervised correspondence study or supervised home study.""

{Internal Reference to 20-10-101:

20-10-147 61-1-116}

Renumber: subsequent sections

-END-

Proposal to Apply Guaranteed Tax Base Aid to Debt Service Mills

EXHIBIT NO. 1DATE 1/8/93BILL NO. 32

Impact on Bonding Capacity

County	District	ANB	Tax Year 1991		Debt Limitation	
			Taxable	Valuation	Current	With GTB
Sanders	Noxon HS	102	11,508,143		5,178,664	5,178,664
Liberty	Chester HS	98	7,311,939		3,290,373	3,290,373
Wheatland	Harlowton HS	102	6,460,084		2,907,038	2,907,038
Prairie	Terry HS	102	4,302,813		1,936,266	2,086,614
Daniels	Scobey HS	99	3,510,139		1,579,563	2,025,243
Park	Shields Valley HS	96	3,375,111		1,518,800	1,963,872
Cascade	Centerville HS	100	1,629,536		733,291	2,045,700
Hill	Rocky Boy HS	100	32,216		14,497	2,045,700

Under the proposal, all high school districts with 100 students would have at least \$2 million available for a building project (assuming the district has no outstanding debt).

Impact on Debt Service Mills

County	District	ANB	Tax Year 1991		Mills Required	
			Taxable	Valuation	Debt Service	Current
Sanders	Noxon HS	102	11,508,143		200,000	17.38
Liberty	Chester HS	98	7,311,939		200,000	27.35
Wheatland	Harlowton HS	102	6,460,084		200,000	30.96
Prairie	Terry HS	102	4,302,813		200,000	46.48
Daniels	Scobey HS	99	3,510,139		200,000	56.98
Park	Shields Valley HS	96	3,375,111		200,000	59.26
Cascade	Centerville HS	100	1,629,536		200,000	122.73
Hill	Rocky Boy HS	100	32,216		200,000	6208.10

Under the proposal, these high schools could finance an annual debt service payment of \$200,000 with 46 mills or less.

Amendments to Senate Bill No. 31
First Reading Copy
Requested by Senator Blaylock

For the Senate Committee on Education and Cultural Resources

Prepared by Eddy McClure
January 4, 1993

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Following: "20-10-142"

Insert: ", "

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(c) regardless of district and county boundaries, resides
at least 3 miles, over the shortest practical route, from the
nearest operating public elementary school or public high school,
whichever the case may be; and

(d) is considered to reside with his parent or guardian who
maintains legal residence within the boundaries of the district
furnishing the transportation regardless of where the eligible
transportee actually lives when attending school.

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subsection (2)(b), any motor vehicle that:

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of justice's semiannual inspection of school buses and the
superintendent of public instruction; and

(ii) is owned by a district or other public agency and
operated for the transportation of pupils to or from school or
owned by a carrier under contract with a district or public
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to or from activity events or to transport pupils to their homes

in case of illness or other emergency situations; or

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{ Internal References to 20-10-101:

20-10-147 61-1-116 }

Renumber: subsequent sections

DATE 1/8/93

SENATE COMMITTEE ON Education

BILLS BEING HEARD TODAY: SB 31-32

Name	Representing	Bill No.	Check One Support Oppose	
TOM BILODEAU	MEA	SB32	X	
ERIC FEAVER	MEA			
Don WA / Dron	MEA			
ERNIE JEAN	MASA - Florence S.D.	SB32	X	
Gene Huntington	Dain Besworth		X	
Graig Brewington	Hellgate Elem. Dist. Missoula	SB32	X	
Un Clever	MSA	SB32	-	
Big Floorow	HAVER Schools	32	✓	
Kevin Tuzin	SAM	32	✓	
Staci Raley	MT Teachers' Union	32	✓	
Pat Melby	School Equity Coalition	32	✓	
Synda Brannen	Indian Rock School / MASBO	32	✓	
Jan Thomson	OPI	SB 31	✓	
Madalyn Duinlan	OPI	SB32	✓	
Terry Minow	MET	SB32	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY