

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON EDUCATION

Call to Order: By Senator Blaylock, on February 10, 1993, at
1:06 p.m.

ROLL CALL

Members Present:

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

Members Excused: None

Members Absent: None

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: SB 307
SB 308
Executive Action: None

HEARING ON SENATE BILL 307

Opening Statement by Sponsor:

Senator Mignon Waterman, Senate District 22, Helena explained SB 307 which by 1995, districts with contiguous boundaries must form a unified K-12 district. She said as she talked to people about the number of districts we have in the state of Montana, the suggestion was made that we look at unified K-12's for those districts that share the same boundaries with elementaries and high schools. There was a bill that Dr. Earnest Jean, Superintendent at Florence-Carlton Public Schools was instrumental in having passed a couple years ago that allowed for

voluntary consolidation. She said he had worked with her on this bill and originally in drafting the bill she was going to require that by 1995 these districts would vote on whether they would unify or not. In a couple of the districts the trustees had come to her and said they knew they needed to do this, an election is an added expense, just tell us we have to do it and we will do it. She referred to the fiscal note and a list of the 70 school districts affected which would become 35 unified K-12 districts. She said they would have more flexibility in budgeting and cut down on paper work. (exhibit 2)

Proponents' Testimony:

Don Waldron, Montana Rural Educational Association, (MREA), spoke in support of SB 307, having handed in his testimony. (exhibit 1)

Jack Copps, Deputy Superintendent, OPI, said they rise in support of this bill, recognizing there may be some concerns that they would need to attend to in regard to schools with PL 874 money for Indian impact schools. These school districts are already acting in a single administrative units, they have common trustees that are elected as both elementary and high school trustees performing business common to both districts. They are already acting as K-12 districts except that they have to provide multiple reports to accommodate what is now on the books.

Eric Feaver, Montana Education Association (MEA), said he felt SB 307 is good politics and good policy. It does reduce the amount of districts, and takes advantage of the unified school district part of it, and in checking on the districts involved, there is no impact on negotiated agreements.

Loren Frazier, School Administrators of Montana (SAM) said they also rise in support of this bill. He had called four of those on the list and three of the four already have it on the ballot to vote for a unified district.

Bob Anderson, School Boards Association (SBA), said they also support this bill.

John Malee, Montana Federation of Teachers (MFT) said they support Senate Bill 307.

Opponents' Testimony:

Lynda Brannon, Indian Impact Schools, said they do not have a problem with this bill if it can be amended. The process that takes place now, states Public Law 81-874 funds are calculated based on the local contribution rate. That contribution rate generates the money going to the schools. A K-12 district technically did not exist two years ago and they use two years prior expenditure data in calculating all of these rates. They automatically put the new K-12 districts at half of the national

rate and for some of the districts that are on this list it will mean a lot. They had calculated Rocky Boy, if they went K-12 and it would mean over \$200,000 loss for them alone. She wrote up one sentence which could be attached to the bill under Section 2. to make a separate provision for subsection a) that states "the mandatory provisions of this section are optional for school districts receiving PL 81-874 funds". She said this will not affect all impact aid districts, only some. She believed if the bill were amended, they could take a favorable look at the bill.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Blaylock asked about the 874 money and Senator Waterman said she had heard the concern raised about the 874 money. It was her understanding from talking to Dori Nielson last week, that she has talked to the Feds about 874 and that they have agreed the initial interpretation that was given that this is a new district was inaccurate and there is supposed to be a letter in the mail saying these are existing districts and that they don't fall out and lose their funding. She asked Mr. Copps if he had talked to Ms. Nielson about this and he answered that he had not talked to her, had not talked to the Feds and the letter is not in the mail to him. Senator Waterman said it was her understanding that they have told this to Ms. Nielson and she had not received the letter yet on Monday. She said she was more than willing to work to amend the language if that letter is not forthcoming.

Closing by Sponsor:

Senator Waterman said she believed this is the way school consolidation should occur, at the suggestion of school people that understand it makes sense and makes their operation more efficient. She believed it necessary go about this in small pieces that are logical, rather than for every county and school district.

Chair Blaylock said he would hold this bill until the language is worked out.

HEARING ON SENATE BILL 308

Opening Statement by Sponsor:

Senator Barry "Spook" Stang, Senate District 26, St. Regis, explained SB 308 which is more expanded than SB 32. It addresses the Guaranteed Tax Base (GTB) for debt service, but it addresses the whole GTB revisited. He believed a bill of this sort would be necessary to be kept around so that if the State were ruled against, we have an alternative out there and do not have to come

back and start over again. He said this bill figures the GTB differently since presently we take the state wide value, divide it by the number of students in the state and that gives you the state wide average for GTB. This bill takes the same state wide taxable value, divides it by the total money in the foundation schedules, which gives you a multiplier and then you multiply that times your district foundation amount to arrive at the amount you will receive from the state. He explained the fiscal note and said this bill, without capital improvements, would save about \$1.9 million over the current GTB formula and about \$600,000 over Senate Bill 32. He passed out a sheet on GTB based on the Foundation Program which gave examples of how to figure it and an explanation of the way it works now and how it would work under this bill. (Exhibit 3)

Proponents' Testimony:

Frank Loehding, MREA, Superintendent at Bainville, said he had been working since 1989 on various aspects of the GTB. He said if you were below the average taxable valuation you would receive some GTB, if above, you would not. This is working now so that all the AA districts receive GTB, all but one or two of the A's, a few of the B's and very few C's. Those of the B's and C's that do receive any GTB do not receive very much money. He pointed out the reason for the money going to the big schools is because it is figured on the number of students and a 200 student school would get one half as much GTB money as a 400 student school. He believed using the foundation program schedules to calculate a GTB seems to be a much fairer system because of the need for more money in the smaller schools, and that is the way the foundation program is set up.

Don Waldron, MREA, said the MREA supports this bill, and pointed out that it would be difficult to have an amendment added to SB 32 to insert the concept of this bill.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Waterman asked if this bill would come closer to meeting the Courts concern about equalization and Jan Thompson, OPI, said she and Madalyn Quinlan are not present to support or oppose this bill, but to try to answer questions. The spread sheet they ran, if you shift to ANB in the district, the higher the schedule amount per student, the higher the foundation program, and therefore the lower the ratio and the more GTB a school district would receive. Under this bill there are shifts from larger

schools to smaller schools, but just small shifts. A few of the smaller districts that did get this money before, get a rather small amount under this bill. You need to consider that the way the bill is written, it defines the foundation program as the denominator in that calculation and that includes Special Ed. Those calculations could change significantly if Special Ed were taken out of that formula. She believed there were some doubts as to whether the GTB that is in place at the present time equalizes, and a system like this which is tied to ANB is going to leave the same doubts in our mind.

Senator Waterman said right now GTB is not used for figuring foundation schedules and asked if this would apply GTB to all school funding. Ms. Thompson said no, this bill would revise the method of calculating GTB for district permissive levies, county retirement levies and debt service mill levy.

Senator Waterman asked if it would apply to the foundation payment and Ms. Thompson said no, the districts will still calculate their foundation program under existing law. It is only when they calculate their permissive mills, their district mill levy value for ANB or ratio under this formula, that it would shift some of the eligibility for subsidy from some districts to other districts. A mill statewide will be worth roughly what it is now, only there will be districts that qualify for more under this proposal and some less under this proposal.

Senator Waterman asked if over all this would be a cost savings of \$9 million. Senator Stang said \$1.9 million in general fund and \$600,000 less than Senator Blaylock's bill for the capital improvement fund. The capital improvement figure is the last one on the fiscal note.

Senator Blaylock asked Mr. Loehding to convince him that this concept is more fair than Senate Bill 32. Mr. Loehding said if we based our foundation schedules on the concept the GTB is now based on, \$1 for every student, and if you thought it was fair to have a high school of 50 and another of 100 and the latter receiving twice as much money as the smaller one, then you would also think the present way of giving out GTB was fair. We don't do that with the foundation schedule, we say you need more per student for the smaller school than you do for the larger school and yet a complete switch was done when GTB went in and it didn't follow that same philosophy. This bill follows the same philosophy of having more money per student for the smaller school than that of the larger school.

Senator Brown asked if GTB isn't directly related to spending disparity, and not directly related to the student population. Mr. Loehding answered yes, it is at the present time. The calculation is done with so much money per student that is given out. Senator Brown said you only qualify for it if you are below the spending threshold, it is not designed to reward large schools and penalize small schools. Mr. Loehding said he

believed it was designed that way. Senator Brown said that may be the effect of it, but that is not what the Legislature was trying to remedy. Mr. Loehding said he understood that, but in effect, that is what it does do. There is no weighting at all in the present GTB for a need for more money for smaller schools than for the larger schools.

Senator Blaylock said we are talking about building debt service and if you have a school that will be built in Billings which will be several million dollars and one in Bainville which will be considerably smaller, but you will have to float a bond issue in both cases. Using the GTB in SB 32, we say if you float a bond issue and your mill is below the state average, we will bring each of the mills you float up to that average. We will do the same for the big school and the small school. He said he did not see where that was unfair. Mr. Loehding said in Bainville we have about 120 K-12 students and if we needed one we would be working on a base of 120 students, compared to Billings working off a base of several thousand students. Under the present system, building a building to house 120 students, you will get much more money for the larger school. The extra 120 students could be thrown into the Billings system and not make much difference in the total amount received. Billings will not lose a great deal of money on this bill because you are still saying big schools get more money and get more taxable valuation under this system.

Senator Blaylock said it seemed to him in terms of equality and fairness, both are being treated fairly. The GTB says if you are below the state wide average we will bring the mills you put on up to the state wide average in either place. Mr. Loehding said it depends on how you figure the state wide average. It is still a state wide average you are looking at, but it is based more on classification in a way, because it is based on the foundation program rather than just one set.

Senator Waterman asked if in SB 32, the amount of money you get in SB 32 will be based on the number of students in your district. She thought SB 32 was based on the amount of the bond you are floating and that is how you figure out the amount. It would have nothing to do with the number of students you have in the district. She asked if SB 308 will spend \$1.9 million less than we presently are, or we will spend \$1.9 million less than SB 32. Senator Stang said if you are looking at the present foundation program that comes out of general fund, and forget the capital improvements, this bill would cost the state \$1.9 million less than the way we presently do it with the GTB we have today. This is general fund, per year. If you talk debt service which is what SB 32 pertains to since the GTB is not addressed in that bill, it would cost the state about \$600,000 less to do it this way than it would in SB 32.

Senator Waterman said, then if we were comparing just the debt service for these two bills, this bill would then cost \$600,000

less than SB 32. Senator Stang said that was correct. The fiscal note shows a fiscal impact of \$9.5 million over the biennium, but that is because you are taking the \$6 million and the \$7.5 million that are required to do the debt service and subtracting the \$1.9 million each year with the change in the GTB.

Senator Waterman asked if this would apply to the debt services on the bonds Helena ran a couple of years ago and Senator Stang answered yes.

In answer to a question Mr. Waldron said he believed something was not discussed and wanted to make sure the committee understood the reason why they did not just amend SB 32 with this. If you are going to deal with this GTB approach, you should do it all through the system. They thought it would be foolish to put it on SB 32 and have a different way to figure GTB in the other areas.

Closing by Sponsor:

Senator Stang said this was a point he was going to bring out, that if we are going to do the GTB one way for the foundation program and the general fund, he did not see any sense in doing it differently for capital outlay. He said Ms. Thompson will have the figures by the time we do executive action on how it will affect your district. He had looked it over and in most cases it did not have a big effect on a district. He had noticed Great Falls had a \$200,000 effect, Billings a \$200,000 on the high schools, he did not have time to add up all the elementary schools. He said it is aimed at getting back for the small schools what they rightfully feel they lost in House Bill 28, because of size they were being further penalized and moving away from the direction the foundation schedules had taken. He said there may be better bills out there, but felt this one should be kept alive so there would be an option available if it was needed.

DISCUSSION ON PROPOSED COMMITTEE BILL

Chair Blaylock showed a report to the committee and said it was a recent study which was presented to the State Land Board and was commissioned by them and done by Professor Duffield, U of M. which pointed out the state was not getting the amount for state school land which was leased for grazing, farming, cabin sites, etc. they should be receiving. He said as a Senate or a House Education Committee, we have responsibility under the constitution of the state of Montana, to manage our state lands well. The constitution says we shall receive fair market value for our state school lands. The state owns about 5,200,000 acres and most of it is grazing, but 550,000 acres that is farm land. He said this report shows we are not receiving fair market value, and if we were receiving fair market value for our state school lands we would be getting between \$6 million and \$8 million more

per biennium. In the desperate straits we are in that is not an inconsiderable amount of money. He believes there is a bill being drafted to raise the grazing, and the last time there was a raise he had carried the bill and had help from the Land Board and Senator Mathers, a cattleman who does not have any state land. Senator Mathers had said cattle raised on private land cost much more to raise than those raised on state lands which were rented at "way below market price". He said as members of this committee, we should keep in mind that the state land does not belong to the farmers and ranchers who rent it, it belongs to the school kids of this state that we are responsible to.

Chair Blaylock said the deadline is past to ask for a bill, he would like to ask this committee to have Ms. McClure draft a committee bill to take the power to set grazing fees and crop share and the rent for cabin sites out of the State Legislature and put that authority in the State Land Board. He said while the State Land Board is responsible for state lands, we have always kept the power to set state land rents in the hands of the Legislature and politics enters into a decision by the Legislature to raise rates. The State Land Board is composed of five top elected officials: The Governor, the State Superintendent of Public Instructions, the Attorney General, Secretary of State and the State Auditor. He believed we would have a far better chance of a prudent management of our state school lands if we put the authority there. He said this would be a big change in the way we do business, but he did not believe we could continue to lose that kind of money. He mentioned a case that is supposed to be in the report, which is near Kalispell. It is a section of land north of Kalispell on Highway 93 and the state is getting \$600 a year rental on a grazing fee lease and that land is worth up to \$10 million if it were sold for development. He was not advocating selling land, which is very seldom done by the State Land Board, but pointed out this is the kind of money we are losing out on. He said there are other places in our urban areas where the state owns land and he did not believe it was being managed to the state's advantage.

Senator Nathe said he would like to see the lease because of the dollar an acre. The AUM's are set at seven times the price of a 1,000 pound steer, and is one year behind times. He said if 1,000 pound steers are running at 80 cents a pound, the AUM charge is \$5.60 per acre. He would like to see what the State Land Board did to shy away from charging the AUM price unless there is no grass on this section of land.

Ms. Quinlan said she believed that land was an agricultural lease. Senator Nathe said if it was a crop share, somebody had goofed up in DSL, or it is an extremely poor piece of agricultural land. Senator Brown said if it is north of Kalispell on Highway 93, it is not poor ground.

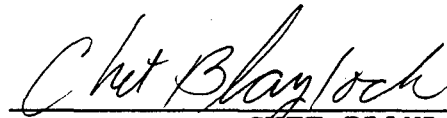
Motion/Vote: Senator Yellowtail moved the Education Committee request a Committee Bill for the above mentioned reason. Motion

CARRIED UNANIMOUSLY by roll call vote.

There was some discussion on the results of the committee bill, and it was pointed out to the members that the bill needed a 3/4 majority to draft a committee bill because it is after the drafting deadline. After the bill comes into committee it is treated and voted upon in the same way any other bill is treated.

ADJOURNMENT

Adjournment: 2:10 p.m.



CHET BLAYLOCK, Chair



SYLVIA KINSEY, Secretary

CB/sk

ROLL CALL

SENATE COMMITTEE

EDUCATION

DATE 2/10/93

NAME

PRESENT

ABSENT

EXCUSED

[illegible]

FO8

Attach to each day's minutes

ROLL CALL VOTE

SENATE COMMITTEE EDUCATION BILL NO.

DATE _____ TIME _____ A.M. P.M.

NAME	YES	NO
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[illegible]

Sylvia Kinsey

SECRETARY

SENATOR BLAYLOCK

CHAIR

MOTION: Draft a Committee Bill on School
lands -

SENATE EDUCATION

EXHIBIT NO. 1

DATE 2/10/93

SBILL NO. 307

HEARING ON SENATE BILL 307

February 10, 1993

MREA supports Senate Bill 307 for the following reasons:

1. Of the 56 districts this bill involves, 12 of them belong to MREA. I was able to contact 10 out of the 12. Five said they had made the board resolution to start the process, three are planning to start the process and two are not opposed but just hadn't moved on the process. None of these 12 are high 874 districts.

2. Simplifying the budget handling looked good to all of our schools contacted.

We do have a couple of questions:

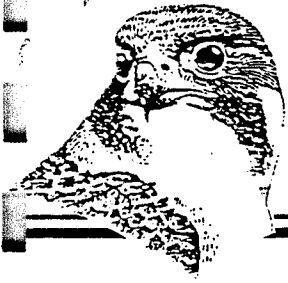
1. Will this bill eliminate the delay of voting and getting county approval? County Commissioners have drug their feet on changing property deeds, etc.

2. If a district has started the process, can they change and not be required to carry out all the requirements of the voluntary law?

Don Waldron

Don Waldron, Lobbyist

Montana Rural Education Association



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February 5, 1993

Senator Chet Blaylock, Chair
Senate Education Committee
State Capitol
Helena, MT 59620

Dear Senator Blaylock, Members of the Committee,

I am sending you this letter in hopes that you share it will members of the committee and in support of SB 307 by Senator Mignon Waterman.

SB 307 is the natural process of a concept that was started several years ago, and which I was intimately involved. In the last session, schools with the same boundaries were allowed to unify into one K-12 district. Florence-Carlton School was one who DID.

I find myself with a small dilemma in that I historically have been against forced unification but the concept of the original bill established a vote. Still, this bill puts together school districts WHO SHOULD BE TOGETHER.

I support Senator Waterman in her attempt to put schools together with the same boundaries. It is logical, it is efficient, and it is the thing to do.

Respectfully submitted,

Dr. Ernie Jean
Superintendent

✓cc. Senator Mignon Waterman

Sen Ernie 2/5/93
SB 307

TE EDUCATION
IBIT NO. 3
TE 7/10/93
ALL NO. 308

GTB BASED ON FOUNDATION PROGRAM

ARGUMENT: If the FP(foundation program) is fairly adjusted to reflect needed cost/pupil, then the GTB(guaranteed tax base) should be based on the FP and not on ANB(average number belonging). Theoretically a fair GTB would give 50% of all classifications of schools some GTB moneys. To better do this the GTB should be a multiple of the FP and not ANB.

The correct multiplier of the FP to be used by each school should be obtained by dividing total state taxable value by total state FP moneys. This gives a number that is equal to the number of dollars of taxable value per one dollar of FP moneys.

DATA

(NUMBERS ARE ESTIMATES FOR FISCAL 1991 BASED ON FISCAL 1990)

TOTAL STATE TAXABLE VALUE = (As defined by HB 28)	2,130,517,540
TOTAL HIGH SCHOOL FOUNDATION PROGRAM MONEYS =	127,847,980
THE MULTIPLIER OF THE FP FOR EACH HIGH SCHOOL = (2,130,517,540 / 127,847,980)	16.66
TOTAL ELEMENTARY FOUNDATION PROGRAM MONEYS =	233,329,447
THE MULTIPLIER OF THE FP FOR EACH ELEMENTARY = (2,130,517,540 / 233,329,447)	9.13

EXAMPLES

A HIGH SCHOOL WITH ANB OF 75 RECIEVING A FP PAYMENT OF (from FP schedules) WOULD HAVE A GUARANTEED TAX BASE = (326,841 X 16.66)	326,841 5,446,629
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AN ELEMENTARY WITH ANB OF 150 RECEIVING A FP OF (from FP schedules) WOULD HAVE A GUARANTEED TAX BASE = (360,929 X 9.13)"	360,929 3,295,620
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FRANK LOEHNDING
SUPT. BAINVILLE

HOW GUARANTEED TAX BASE WORKS NOW

1. OPI determines how many dollars of taxable value there is in the state for each student. This is then converted to mill value per ANB. Currently this is \$48.94 per high school student per mill and \$19.81 per elementary student per mill.
2. Local districts then find their "district mill value per ANB". by taking the current taxable valuation of all property in the district. This figure is then divided by 1000, with the quotient divided by ANB. This gives the district their local taxable value per ANB per mill.
3. If the value computed in (2.) is less than the state average in (1.), the values are subtracted and the district will receive that number of dollars in guaranteed tax money for each student for each mill levied in the permissive area.

HOW GUARANTEED TAX BASE WORKS USING FOUNDATION SCHEDULES

1. OPI determines how many dollars of taxable value there is in the state for each dollar of foundation program moneys. This is currently \$16.34 in the high school and \$8.68 in the elementary.
2. Local districts multiply the factors in (1.) by their respective foundation program amounts to determine their guaranteed tax base (GTB). If the local taxable value is less than the OPI GTB the district is eligible to receive GTB.
3. The district then determines how many mills need to be levied in the permissive area by first subtracting nonlevy revenue, other than Public Law 81-874 funds, from the permissive amount to determine how much money is needed. Then divide money needed by local GTB and multiply by 1000. The result is the number of mills needed in the permissive area.
4. The amount of GTB aid that a district will actually receive can then be found by subtracting local taxable value from local GTB, multiplying the result by the number of mills determined in (3.), and dividing by 1000.

DATE 2/10/93

SENATE COMMITTEE ON Education

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One
			Support Oppose

Eric Feaver	MSA	SB 308		2

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 2/10/93

SENATE COMMITTEE ON Education

BILLS BEING HEARD TODAY: SB 307 - SB 308

Name	Representing	Bill No.	Check One	
			Support	Oppose
ERIC FEAVER	MSA	SB307	X	
Don Waldron	MREA	SB 307 SB 308	X	
Frank Lockding	MREA	SB308	X	
Lynda Brannon	# Indian Impact Schools	SB 307		X
Jack Capps	ORI		X	
Rick Stuber	Culbertson		Auditing	
John Malo	M.F.T.	SB307	X	
Loren Tramm	STM	307	X	
Warren Morehouse	L. C. Co. Sept	307	X	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY