

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION & CULTURAL RESOURCES

Call to Order: By Rep. H.S. "Sonny" Hanson, Chair, on March 12, 1993, at 3:36 p.m.

ROLL CALL

Members Present:

Rep. Sonny Hanson, Chair (R)
Rep. Alvin Ellis, Vice Chair (R)
Rep. Ray Brandewie (R)
Rep. Ervin Davis (D)
Rep. Ed Dolezal (D)
Rep. Dan Harrington (D)
Rep. Jack Herron (R)
Rep. Bob Gervais (D)
Rep. Norm Mills (R)
Rep. Bill Rehbein (R)
Rep. Sam Rose (R)
Rep. Dick Simpkins (R)
Rep. Norm Wallin (R)
Rep. Diana Wyatt, Vice Chair (D)

Members Excused: Reps. Daily, McCarthy, McCulloch, and Spring

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council
Susan Lenard, Committee Secretary

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

Committee Business Summary:

Hearing: Select Education Committee Information
Executive Action: SJR 23 and SB 330

EXECUTIVE ACTION ON SJR 23

Motion: REP. MILLS MOVED SJR 23 DO PASS.

Discussion:

REP. HARRINGTON commented he would vote against SJR 23. He said he would do so not because of its intent, but because he had difficulty with some of the testimony presented in support of the

resolution. REP. HARRINGTON stressed Mr. Buchanan, representing the Board of Public Education, said he did not know if morals are taught in the schools. REP. HARRINGTON maintained morals are taught in schools and said a very effective job is usually accomplished. He said if an individual has any moral judgement at all he/she teaches abstinence. He insisted one of the problems with this issue is that teachers of sexual education courses have students for such a small portion of their total education. REP. HARRINGTON emphasized parents have a tremendous responsibility in this area. He stated it is, in fact, probably more of their "duty" than that of educators to teach children about abstinence. REP. HARRINGTON commented on the country's fight against the AIDS epidemic. He stated SJR 23 runs contrary to understanding and controlling the problem. He also noted the bill has been watered down and as a result does not do much.

Vote: SJR 23 BE CONCURRED IN. Motion carried 10 to 8 with REPS. DAILY, DAVIS, DOLEZAL, HARRINGTON, GERVAIS, MCCARTHY, MCCULLOCH, and ROSE voting no. EXHIBIT 1

EXECUTIVE ACTION ON SB 330

Motion: REP. BRANDEWIE MOVED SB 330 BE CONCURRED IN.

Discussion:

REP. BRANDEWIE stated he personally knows one of the people to be affected by the bill. It was his opinion school boards have the right to know if a job candidate has transgressed. He stated it would be in the interest of the public to pass SB 330.

REP. ROSE asked for an identification of the penalty.

REP. BRANDEWIE said page six, line fourteen states the maximum penalty is a two-year suspension of the person's teaching certificate.

REP. DOLEZAL asked if this is the only way to make sure an individual's suspension information was made available to the district or school to which the individual was applying. He noted if this was the case then he was against the bill. He said there must be some other method than making the individual's record public information.

REP. BRANDEWIE said he could understand the embarrassment an individual might experience, but stressed the public has the right to know. He said parents send their children to school assuming they are fairly safe from the potential of sexual assault or overtures by teachers. When a teacher makes a mistake, the people in the next school have the right to know. He stated it is not inappropriate for the individual to lose his/her license for a couple of years.

REP. ROSE said there are present means for doing so now. He stated administrative individuals do not take the dispensing of this information upon themselves for fear of lawsuits. He stated he will vote for the bill even though he believes it is a act designed to protect administrative individuals from being up front and honest.

Vote: SB 330 BE CONCURRED IN. Motion carried unanimously.

Presentation on HB 667 to the committee by the Office of the Legislative Auditor:

Scott Seacat, Legislative Auditor, stated the Select Committee on Education has finished most of its work on HB 667. He distributed a summary of the factors and their impact on school districts in total. He said the policy decisions regarding the factors on the spreadsheet basically are the same for the base entitlement and the per student allocation. The Select Committee changed the guaranteed percentages to 40/40, from the original 50/30 and 45/35. This means that 40% of the base entitlement and of the student allocation would be paid for with a direct payment from the state. The next 40% would be paid for with guaranteed tax base (GTB) money. The remaining 20%, as always, would be the responsibility of local effort. The related change to that under HB 667, is the substantial increase in the mill guarantee percentage. In the first presentation the amount was to be no greater than 200% of 121%. This figure has now been increased to 250% of 121%. He said that is in excess of 300% considering the guarantee value of the mills. In the elementary districts rather than the current guarantee of \$17.74, that guarantee would now be in the range of \$52.25. In the high school districts that amount would be approximately \$110.00. The right hand side of exhibit 1 lists what the 1993 budget would have been under this plan in contrast to the current method. The spread sheet indicates that no school's budget would go down with this system. All of the budgets would go up. He highlighted the "from < 0 to 2%" on the left-hand side and "from 0 to 2%" on the right-hand side. He explained that zero is included in the right-hand side so there may be schools with not only no decrease, but no increase either.

EXHIBIT 2

The second page is a summary of "what happens to the mills." Mr. Seacat said it was important to look at schools and their ANB amounts. He suggested the legislators wait to look at individual spread sheets for their own districts. The third page indicates where schools are as a result of these factors.

Mr. Seacat distributed two sheets, one on high cost reduction action and the other on applicable budget caps. **EXHIBITS 3 and 4**

In the high cost school category, those schools spending over the 100% of the maximum budget, were required to reduce budget amounts by two percent per year under the original model. Various school associations had difficulty with that stipulation, so it

was changed to 0% the first year, 1% the second, 2% the third year, and 3% each year thereafter until the district came down to the 100% level. This is a substantial change from the original plan.

He noted the applicable budget caps have come under close scrutiny and criticism. He explained schools above the 100% level would be allowed no increase. Schools between the 80% and 100% category do not have to increase or decrease expenditures. That area is permissive and is completely up to the discretion of the local board of trustees. The increases to occur in these schools will be by permissive levies, except if the trustees wish it to be by voted levies. It is generally permissive unless the trustees vote otherwise. If the individual district chooses to increase its budget either through a voted or a permissive levy, it is capped at 104% of the prior budget or 104% of the prior budget per ANB, whichever is higher. These caps are the same for those schools under the 80% minimum. The Select Committee also added a low spending districts must increase by at least twenty percent between where they are located under the minimum and the minimum, whichever is higher.

REP. DOLEZAL asked how the schools spending below the 80% are to reach that level.

Mr. Seacat said the way the funding formula works, at the 80% level, 40% is direct state support and 40% is GTB. The way a school reaches that level is a combination of events. One must look at the change in state support. In the end, the district would most likely have to look at an increase in local levies. He said it is dependent upon the value of the mill and GTB, especially at 250%, as to how an individual district leverages that money.

REP. ROSE asked **Mr. Seacat** to clarify how a district reaches the 80% level.

Mr. Seacat said there are two parts of the puzzle to get to eighty percent. Forty percent of that, or half of getting there, is money from the state. The other half is with local effort that is GTB local effort. If in fact, the value of a mill is \$500 per ANB, then all of that 40% is local effort. If the value of the high school mill is \$10, for example, then about 10% of the 40% of the local effort would be local tax and 90% would be through state support.

REP. BRANDEWIE asked if it was mandatory to have a permissive levy for schools below the 80% level.

Mr. Seacat stated for the area below the minimum there is no permissive, it is mandatory.

REP. DAVIS questioned what would occur if a district did not do so.

Mr. Seacat said, since it would be law, he supposed the superintendent of OPI could mandate the county commissioner of the district to set that levy. He emphasized the point the permissive is only allowable between 80% and 100%. Anything below the 80% is no longer permissive, it is completely and unquestionably mandatory.

REP. HERRON asked if the junior high schools are calculated along with the high schools or the elementary schools.

Mr. Seacat said the junior high schools are budgeted for in the elementary districts, but how the costs are allocated in this formula are somewhat complicated. The plan gives the junior high ANB a percentage of the high school base and a percentage of the high school per student allocation. Assume, for example, there is an elementary school of 200 ANB, 100 are in grades 1-6 and 100 ANB are in 7th and 8th grade, then the base entitlement for that school would be half of \$18,000, or \$9,000, plus half of \$200,000, or \$100,000, for a total base of \$109,000. The per student entitlement would be calculated for 100 elementary ANB at the \$3,500 level, less the reducers, and 100 high school ANB at the \$4,900 level, less the reducers. It was noted this is consistent with the present method for funding junior high students. An information packet with a restatement of budgets was distributed. **EXHIBIT 5**

Mr. Seacat stated the Select Education Committee approved an amendment which took PL-874 money out of the general fund. A federal impact aid account would be formed to handle that money and would be an off-schedule amount. It is not equalized.

REP. HANSON asked what would occur with a situation where one house in a district is privately owned and the rest are federal property.

Mr. Seacat said it depends upon how the district is currently using the PL-874 money. In some districts, PL-874 money is used to offset current voted levies. Under this amendment there would be nothing preventing school districts from doing this. The point of the amendment is that the legislature is not forcing the districts to use PL-874 money to offset levies or expenditures. He noted the key is on the expenditure side to the extent districts are currently using PL-874 money to offset general fund expenditures. They can charge those expenditures to this new account if they wish. If they choose not to they can increase levies in the general fund and decrease levies elsewhere. They can use the money to offset debt service or transportation or retirement, etc.

REP. DOLEZAL asked to look at one of the high spending schools, Belfry High School, for example. He said they were at 149 percent of the budget and asked how they would reduce their spending to reach the maximum spending cap.

Mr. Seacat replied the first year their budget would be frozen. The second year, they would be forced to reduce by one percent, and the third year spending would be forced down by two percent. Every year thereafter the school would need to reduce spending by three percent.

REP. DOLEZAL asked what a voted levy means. He asked if this means the people would make the decision if they wanted to keep the budget at 150% of the maximum cap.

Mr. Gillett stressed, under this plan, once schools hit the maximum they may never spend over that amount. The only way a district could spend more than that amount is if more money is put into the system thereby raising the maximum allowable budget amount. He said the only way a school can exist above that maximum amount is through no fault of their own. These ways could include spending at that level before the plan is put in place or if the ANB for a school drops drastically. He said action of the trustees to go over that 100% level is not permitted.

REP. SIMPKINS contended specifying maximum expenditure amounts is a major departure from the present system.

REP. ELLIS asked for the rationale for increasing the percentage from 200% to 250% of 121% to figure the original GTB amounts. He asked for clarification of the reason for using such an artificially high percentage.

Mr. Seacat said the Office of the Legislative Auditor came off the original assumption of the 50/30 to 45/35. The committee looked at a spread sheet of 45/35 with the lower GTB percentage. It then looked at the 40/40/20 with the higher GTB percentage. There was debate which questioned where it would be best to cut nineteen million dollars with the least detriment to the education community. He suggested the percentage chosen is a hint from the Select Committee as to how to cut nineteen million dollars if it becomes necessary. He reiterated by saying this plan is state expenditure neutral and, for the most part, school district budget neutral.

REP. ELLIS asked, since the level is at 300% of the average state GTB, what dollar amount constitutes ten points on this model's scale.

Mr. Seacat said if the 250% was reduced to about 175% then the savings would be somewhere between 18 and 20 million dollars. It is not a dollar per dollar amount, since as the percentage decreases more and more schools are brought down and there is a greater savings.

REP. HERRON requested a comment on the general response to this plan.

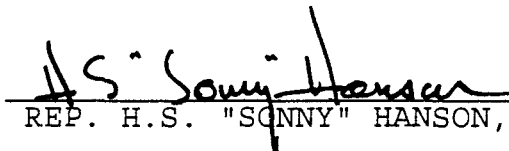
Mr. Seacat replied he does not want to speak and generalize the responses received but said people understand this plan equalizes. The educational community has generally given this plan qualified but reluctant support. He said he should not really speak for the education community.

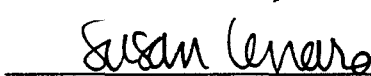
REP. SIMPKINS stated it needs to be clear nineteen million dollars will not really be cut out of education, but that education will just not be allowed to rise by that amount.

Mr. Seacat said there is a projected increase in ANB. He said a two percent increase across all levels of schools in the model resulted in an increase in spending of approximately 9.9 million dollars. He said the nineteen million dollars is not solely the result of the increase in ANB. He suggested the other phenomenon OPI is considering is the fact the special session stated schools must take their reserves down. A trend in funding balance reappropriated was cut in half. Half of the original amount was reserves. Since the initial figure was set at sixty million dollars and was cut down to thirty million this meant the reserves and the use of reserves were reduced. In the model, an increase in state costs amount to approximately nineteen million dollars. He said a combination of events are expected to occur in the future, an increase in ANB and the reserves getting to the level where some of that one time money is not available. He said the whole picture needs to be examined in the context of what the Senate is doing in conjunction with the sales tax bill on those levies, on the transportation and retirement levies, and what is going to happen to those reserves. He emphasized he could not confidently predict what will occur with the mills in total for any district for years 1994 and 1995.

ADJOURNMENT

Adjournment: 5:05 p.m.


REP. H.S. "SONNY" HANSON, Chair


SUSAN LENARD, Secretary

HSH/SL

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL

DATE

3/12/93

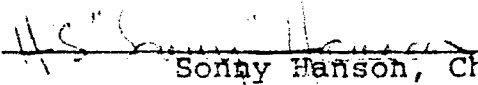
NAME	PRESENT	ABSENT	EXCUSED
REP. SONNY HANSON , CHAIR	✓		
REP. ALVIN ELLIS , VICE-CHAIR	✓		
REP. DIANA WYATT , VICE-CHAIR	✓		
REP. RAY BRANDEWIE	✓		
REP. FRITZ DAILY			✓
REP. ERVIN DAVIS	✓		
REP. ED DOLEZAL	✓		
REP. DAN HARRINGTON	✓		
REP. JACK HERRON	✓		
REP. BOB GERVAIS	✓		
REP. BEA MCCARTHY			✓
REP. SCOTT MCCULLOCH			✓
REP. NORM MILLS	✓		
REP. BILL REHBEIN	✓		
REP. SAM ROSE	✓		
REP. DICK SIMPKINS	✓		
REP. WILBUR SPRING			✓
REP. NORM WALLIN	✓		

HOUSE STANDING COMMITTEE REPORT

March 15, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that Senate Joint Resolution 23 (third reading copy -- blue) be concurred in .

Signed: 
Sonny Hanson, Chair

Carried by: Rep. Rehbein

Committee Vote:
Yes ____, No ____.

581043SC.Hss

HOUSE STANDING COMMITTEE REPORT

March 15, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that Senate Bill 330 (third reading copy -- blue) be concurred in .

Signed: HS (Sonny) Hanson
Sonny Hanson, Chair

Carried by: Rep. Brandewie

Committee Vote:
Yes 1, No .

581040SC.Hss

EXHIBIT 1
DATE 3/12/93
SB SJR 23

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 3/12 BILL NO. SJR 23 NUMBER

MOTION: BE CONCURRED IN

NAME	AYE	NO
Rep. Ray Brandewie	✓	
Rep. Fritz Daily		✓
Rep. Ervin Davis		✓
Rep. Ed Dolezal		✓
Rep. Dan Harrington		✓
Rep. Jack Herron	✓	
Rep. Bob Gervais	✓	✓
Rep. Bea McCarthy		✓
Rep. Scott McCulloch		✓
Rep. Norm Mills	✓	
Rep. Bill Rehbein	✓	
Rep. Sam Rose		✓
Rep. Dick Simpkins	✓	
Rep. Wilbur Spring	✓	
Rep. Norm Wallin	✓	
Rep. Diana Wyatt	✓	
Rep. Alvin Ellis	✓	
Rep. Sonny Hanson	✓	

EXHIBIT 2
 DATE 3/12/93
 AB 667

OFFICE OF THE LEGISLATIVE AUDITOR
 AT THE REQUEST OF THE HOUSE SELECT COMMITTEE ON SCHOOL FUNDING
 SCHOOL FUNDING ANALYSIS
 SPECIAL ED ANB NOT INCLUDED
 LISTING OF SPREADSHEET DATA ELEMENT ASSUMPTIONS
 SELCOMM3.WK1
 12-Mar-93
 12:01 PM

BASE ENTITLEMENT	ELEMENTARY	HIGH SCHOOL
PER STUDENT ALLOCATION	\$18,000	\$200,000
PER STUDENT REDUCTION FACTOR	\$3,500	\$4,900
STATE SUPPORT PERCENTAGE - BASE	\$0.20	\$0.50
GUARANTEE PERCENTAGE - BASE		40.00%
UNSUBSIDIZED PERCENTAGE - BASE		40.00%
STATE SUPPORT PERCENTAGE - PER STUDENT		20.00%
GUARANTEE PERCENTAGE - PER STUDENT		40.00%
UNSUBSIDIZED PERCENTAGE - PER STUDENT		20.00%
MILL GUARANTEE PERCENT OF CURRENT		250.00%
*GUARANTEED MILL VALUE		20.00%
REQUIRED LOW SPENDER GROWTH		0.00%
REQUIRED HIGH SPENDER REDUCTION		0.00%
ESTIMATED DISTRICT BUDGET GROWTH		1000
MAXIMUM PER STUDENT REDUCTION ANB	2000	
CURRENT FY 93 GF BUDGETS	\$562,512,474	
TOTAL SIMULATED GF BUDGETS	\$564,877,137	
DIFFERENCE IN GF BUDGETS	\$2,364,662	\$1,078,388
OLD STATE SUPPORT	\$383,861,336	
NEW STATE SUPPORT	\$383,786,345	
STATE SUPPORT DIFFERENCE	(\$74,991)	\$2,052,187
STATE EQUALIZATION %	89.08%	

CHANGE FROM FY93 BUDGET TO NEW BUDGET				
	BUDGET DOWN		BUDGET UP	
	MORE THAN 2%	FROM 0 TO 2%	FROM 0 TO 2%	MORE THAN 4%
ELEM	0	0	301	25
HS	0	0	140	21
TOTAL SCHOOLS	0	0	441	46
ELEM ANB	0	0	103,854	3,213
HS ANB	0	0	36,544	5,277
TOTAL ANB	0	0	140,398	8,490
				2,249

OFFICE OF THE LEGISLATIVE AUDITOR
 AT THE REQUEST OF THE HOUSE SELECT COMMITTEE ON SCHOOL FUNDING
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MILL GUARANTEE PERCENT OF CURRENT		250.00%
GUARANTEED MILL VALUE		
REQUIRED LOW SPENDER GROWTH		20.00%
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STATE EQUALIZATION %	89.08%	

MILL CHANGE TO SIMULATED GENERAL FUND MAXIMUM BUDGET					
NUMBER OF SCHOOLS/ANB	MILLS DOWN		MILLS UP		
	MORE THAN 10	FROM 0 TO 10	FROM 0 TO 10	MORE THAN 10 LESS THAN 20	MORE THAN 20
ELEM	64	62	82	77	70
HS	29	56	42	22	15
TOTAL SCHOOLS	93	118	124	99	85
ELEM ANB	31,520	45,499	17,885	7,570	6,049
HS ANB	8,031	27,766	4,623	1,384	810
TOTAL ANB	39,551	73,265	22,508	8,954	6,859

EXHIBIT 2
DATE 3/12/93
SB 48 667

OFFICE OF THE LEGISLATIVE AUDITOR
AT THE REQUEST OF THE HOUSE SELECT COMMITTEE ON SCHOOL FUNDING
SCHOOL FUNDING ANALYSIS
SPECIAL ED ANB NOT INCLUDED
LISTING OF SPREADSHEET DATA ELEMENT ASSUMPTIONS
SELCOMM3.WK1
12-Mar-93
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	ELEMENTARY	HIGH SCHOOL
BASE ENTITLEMENT	\$18,000	\$200,000
PER STUDENT ALLOCATION	\$3,500	\$4,900
PER STUDENT REDUCTION FACTOR	\$0.20	\$0.50
STATE SUPPORT PERCENTAGE - BASE		40.00%
GUARANTEE PERCENTAGE - BASE		40.00%
UNSUBSIDIZED PERCENTAGE - BASE		20.00%
STATE SUPPORT PERCENTAGE - PER STUDENT		40.00%
GUARANTEE PERCENTAGE - PER STUDENT		40.00%
UNSUBSIDIZED PERCENTAGE - PER STUDENT		20.00%
MILL GUARANTEE PERCENT OF CURRENT		250.00%
*GUARANTEED MILL VALUE		
REQUIRED LOW SPENDER GROWTH		20.00%
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STATE SUPPORT DIFFERENCE	(\$74,991)	\$2,052,187
STATE EQUALIZATION %	89.08%	

NEW BUDGET ANALYSIS				
NUMBER OF SCHOOLS/ANB	BELOW MINIMUM	BETWEEN MIN AND MAX	ABOVE MAXIMUM	
ELEM	154	121	80	
HS	58	60	46	
TOTAL SCHOOLS	212	181	126	
ELEM ANB	34,999	61,249	12,275	
HS ANB	16,336	20,217	6,061	
TOTAL ANB	51,335	81,466	18,336	

HOUSE EDUCATION SELECT COMMITTEE
HIGH COST SCHOOL REDUCTION ACTION
AS OF 12-Mar-93 02:17 PM

YEAR	OVER MAXIMUM PERCENT REDUCTION	LEVY STATUS
1	0%	PERMISSIVE
2	1%	PERMISSIVE
3	2%	VOTED
4	3%	VOTED
5	3%	VOTED

HOUSE EDUCATION SELECT COMMITTEE

AS OF:

12-Mar-93

02:36 PM

EXHIBIT 4

DATE 3/12/93

HB 667

APPLICABLE BUDGET CAPS

OVER MAXIMUM -----	80% TO 100% -----	UNDER MINIMUM -----
NO INCREASE	104% OF PRIOR BUDGET OR 104% OF PRIOR BUDGET PER ANB WHICHEVER IS HIGHER BUDGET GROWTH OPTIONAL	104% OF PRIOR BUDGET OR 104% OF PRIOR BUDGET PER ANB OR 20% OF RANGE TO MIN WHICHEVER IS HIGHER 20% IS MANDATORY

MEMORANDUM

The attached packet of information illustrates the impact of the House Select Committee's March 12, 1993, actions on House Bill 667. School districts' fiscal year 1992-93 budgets have been restated as though HB 667 had been in effect for fiscal year 1992-93. The packet includes an overview of the Equalization Model, definitions of terms used in the model and HB 667, statistic sheets, and a district listing.

House Bill 667, as amended by the Select Committee, provides state support in the manner outlined on the "Listing of Spreadsheet Data Element Assumptions." Following is an explanation as to why some of the data elements are set where they are.

1. The required low spender growth is set at 20% of the difference between fiscal year 1992-93 budget and the mandatory level; and the estimated district budget growth is set at 0%. HB 667 provides budget growth for these districts to the greater of the 20% difference, 104% of the prior year's budget, or 104% of the prior year's budget per ANB. However, the estimated budget growth is set at 0% because this is a restatement of fiscal year 1992-93 and not a projection to a future fiscal year. The attached spreadsheet assumes districts have already increased their fiscal year 1992-93 budgets to the extent desired and allowed under existing statutes.
2. The "required high spender reduction" was set at 0% because HB 667 was amended to freeze those districts (i.e. those whose fiscal year 1992-93 budgets exceed the calculated maximum under HB 667) at the fiscal year 1992-93 level for the first year of implementation. Any projection to fiscal year 1993-94 would also set these districts' budgets at the fiscal year 1992-93 level.

Again, the attached spreadsheet is a restatement of fiscal year 1992-93 budgets and is not intended to indicate budget or mill impacts on future fiscal years.

Please Note: This complete exhibit may be located at the Historical Society. (This exhibit contains school funding analysis spread sheets and other data).