

## **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 15, 1993, at 3:05 p.m.

#### **ROLL CALL**

##### **Members Present:**

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

**Members Excused:** None

**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: HB 667  
Executive Action: HB 540

#### **HEARING ON HB 667**

##### **Opening Statement by Sponsor:**

**REP. FAGG**, House District 89, Billings, explained HB 667 is a committee bill. He said the Select Education Committee was formed

with the sole purpose of defining an equalized school funding mechanism. In an attempt to address the equalization question, HB 667 sets up minimum and maximum spending levels for school districts. It will force low spending schools to come up to the 80% spending level over a five year time period. It will also force high spending districts to come down to the 100% level over a period of about five years. For high spending districts, budgets would be frozen the first year. These districts would be required to reduce their budgets by one percent the second year and two percent the third year. Every year thereafter they would be required to reduce their budgets by three percent until such a time as they reach the maximum spending amount. **REP. FAGG** distributed a listing of spreadsheet data element assumptions prepared by the Office of the Legislative Auditor at the request of the House Select Committee on school funding. **EXHIBIT 1**

**REP. PECK, House District 15, Havre,** said he believes HB 667 addresses some of the important issues ignored in HB 28. He stressed the importance of budgetary caps. He discussed special education funding. He referred to page 60, section 24 which dealt with allowable costs. Allowable costs are defined as those instructional costs defined in statute which are used to determine the amount of special education appropriation which is available to each district's special education program. He said this only partially funds all of current special education programs in Montana. In addition to that basis amount, there exists a contingency fund which pays for unexpected programs or needs of the public schools in the state. He said the provision which states all special education children should be counted for ANB purposes was accepted unanimously by the committee. This provision is very important. **REP. PECK** noted that students who are in special education classes more than half time, then they are not counted in the ANB for the school. He said there is thus no provision to pay for the costs related to classrooms, utilities, and administration. By counting special education students in the ANB of schools this deficiency will be overcome. He emphasized the current program does not pay the basic costs previously mentioned if a child is in special education classes half-time or more.

**REP. BOHARSKI** discussed page 8, section 3, and noted under HB 667 some things will change from current law. He said, currently under HB 28, there are permissive and voted levies and a four percent cap. He said there are no more voted levies in HB 667 except for when school spending is above the maximum 100% line. The one provision in this case is on page 12, line 19-22, "whenever the trustees of a district adopt a general fund budget under the provisions of subsection (5), they may submit a proposition on the over-base budget levy to the electors of the district as provided in 20-9-353." The trustees may choose to hold a voted levy between the 80% and 100% levels. He noted with the advent of GTB, sixty-five percent of the schools went from their current level to the 135% level. He said in the process of constructing HB 667, the committee decided the low spending

schools would reach at least the 80% level within five years. The concern was that, as the bill is written, instead of the GTB being 121% of the average it is now 250% of 121% of the average. There will be a tremendous increase in mills if they are going to be subsidized, compared to the present level. He said the entire model and every spread sheet is built on the assumption, with regard to the cost in state aid, is that a district's difference will be made up in five years. It will not necessarily take into account an increase in enrollment in the school. In a worst case scenario, if everyone below the 80% line were to increase to that line in the first year, there would need to be an additional 6.8 million dollars put into HB 667. He emphasized that low spending schools must increase their budgets by at least 50% of the difference from their present level and the 80% spending amount. If 104% of the previous year's budget is bigger than that amount then the school can increase to that amount. The new calculation per ANB has been changed to include a change in the enrollment of a school. The new cap works by taking the dollar amount per ANB, multiplying it by 104%, then multiplying that number by the new number of students. The largest of those three numbers is the amount by which a district may increase to reach the 80%. He said without those caps the state could possibly be faced with needing to contribute an extra 6.8 million dollars.

**REP. KADAS, House District 55, Missoula,** stated his proposal for use of non-levy revenue has not been included in the bill, but he wanted the committee to know "there is a large amount of money out there." Currently, non-levy revenue exists as a number of different kinds of revenue. The different kinds include a variety of resource taxes, (local government severance tax, flat tax, coal growth proceeds), vehicle fees, and dollars from the property tax replacement on corporate income tax to financial institutions. He said cash reappropriated, interest earnings, and tuition are other types of non-levy revenue. Currently all of these non-levy revenues are counted. First, a district receives its foundation program payment. The district must then "count its non-levy revenue toward its permissive amount and any amount between the amount after the district has counted its non-levy revenue and how much is left in the district's permissive authority up to 135%." A district can then use its permissive authority and can receive GTB, if eligible. **REP. KADAS** noted he wanted to take those first five types of non-levy revenue mentioned out at the point they enter the permissive level and equalize the total of them all. This amount would be put into the foundation program and would equal approximately fifteen million dollars. He said this would result in putting more dollars into the base of the foundation program amount. It would also address the fact that a large portion of the amount is the cause of a large part of the "dis-equalization" on the tax base side. He stressed there is "dis-equalization" on the revenue (tax based) side as well as the expenditure side. He said the inequality on the tax based side is in fact largely responsible for the "dis-equalization" on the expenditure side. He emphasized the point that it is a lot easier for a wealthy district to raise money for

children that it is for a district which is poor. House bill 667 would help to balance out this discrepancy because it would take some of the wealth from the very wealthiest districts and distribute it to everyone else.

**REP. KADAS** explained the stop-loss portion of the bill. He said the stop-loss figure is the point at which a school no longer figures in the reducer amount for students. The schedules should recognize certain economies of scale. The question arises as to what the schedules should be based upon, the measure by which the legislature allows total funding. He commented on the regression analysis using all schools, minus five percent of the high and five percent of the low spenders. He said economies of scale diminish as schools increase in size. At some point these economies of scale are eliminated, thus the rationale for the stop-loss. The rationale for choosing the stop-loss was indicated on a handout distributed to the committee. **EXHIBIT 2**

**REP. KADAS** explained the regression per ANB line, on the first page, crosses over the high ANB school's line because of a discrepancy in economies of scale. It was indicated this is not desirable. The minimum and maximum should bound the best-fit regression line with relatively the same proportion. With a stop-loss set at 1000, the model more accurately fits the definition, although the lines are not equally proportional between the minimum and maximum lines. He suggested if a lawsuit were to come of this plan it would be because of a complaint by the urban and not the rural schools.

**REP. SIMPKINS, House District 39, Great Falls,** stated there are many different ways of reaching true equalization. He said HB 667 is a compilation of many ideas attempting to reach that product. An informational packet was distributed to the committee. Referencing page three, **REP. SIMPKINS** called attention to the chart labelled "new budget analysis." The chart depicted where schools and ANB fit in the regression model. It indicates the number of schools which fall below the minimum, between the minimum and maximum, and above the maximum. He stressed that spending for 51,335 students would be increased while the spending for only 18,336 students would need to be reduced. He stated the budget cuts themselves were not necessarily cuts in cash for the last year's budget. The committee found that ninety-nine million dollars was the result of new increased spending mandated by law. In order to stand by the agreement previously made, it would be necessary to hold every district at the previous biennium's expenditure and reduce ninety-nine million dollars in the mandated increases. Out of the total ninety-nine million dollars, thirty-seven million was contributed to K-12 education. He noted the committee tried to minimize the impact by using different formulas. It was emphasized the plan is revenue neutral. **EXHIBIT 3**

**REP. BOHARSKI** distributed a list outlining the section of the bill and to which issues they relate. **EXHIBIT 4**

**Proponents' Testimony:**

**Nancy Keenan, Superintendent of the Office of Public Instruction,** stated she stood tentatively as a proponent. She commented on the good ideas brought forth in HB 667 and said it does bring schools closer to equalization. **Ms. Keenan** noted her support of equalization fashioned on a per pupil expenditure basis. House bill 667 takes a step in the right direction because it includes special education students in computing ANB, a critical part in any equalization plan. The third positive point is that it is revenue neutral for the fiscal year 1993. House bill 667 increases money to schools by fifty-three million dollars. In fiscal year 1993, the state spent three hundred eighty-three million dollars. With new enrollment for the year 1994, there will be a twelve million dollar increase. In fiscal year 1995, the expected increase in ANB will cost an additional twenty-one million dollars, which brings the total to four hundred four million dollars revenue neutral. This bill includes thirty-three million dollars in new ANB. She stated the bill "adds twenty million dollars above zero." **Ms. Keenan** stated the reason there are so many winners is because of that additional revenue. She said the one caution of the bill is that it does not address tax payer equity. The issue of non-levy revenue is a policy question the committee must answer. This bill started in the Select Committee with a 45% state share. House bill 667 in its present form defines a 40% state share. She said issue of whether the state can arrest capital outlay and transportation needs to be addressed. If the sales tax does not pass, then the legislature has not addressed two important components of the supreme court decision, capital outlay and transportation. She noted the concern of OPI with regard to the complexity of the caps. She suggested if the committee wanted to pass the bill the effective date should be changed to an effective immediately date rather than to leave it as the first of July. She emphasized the effective date is critical. **Ms. Keenan** asked the committee to weigh the possibility that any changes made to the bill could have serious ramifications.

**Wayne Buchanan, Board of Public Education,** prefaced his remarks by stating the Board has not taken a position on this specific funding measure. **Mr. Buchanan** stated HB 667 provides the best chance, currently proposed, of putting the present lawsuits to rest. He said he could not comment on the technical aspects of the bill.

**Eric Feaver, Montana Education Association (MEA),** stood in support of HB 667 and said he could be a greater proponent of the bill if SB 32 was incorporated into the content. He said MEA believes the caps on districts below 80%, the caps for the school districts between 80% and 100%, and the caps on districts spending above 100% should all be removed. **Mr. Feaver** stated MEA believes schools should be able to have a voted trustees imposed levy (permissive) only between the 80% and 100% levels. If that

levy failed, he said school districts should be allowed to maintain their current budget authority without a vote as long as they stayed between the 80% and 100% levels. He urged the committee's support of HB 667 and its consideration of MEA's concerns.

**Pat Melby, Underfunded Schools Coalition**, stood in support of HB 667 noting the Coalition's support of the bill is not unqualified. He said the proposed plan is a major diversion from the present. He suggested there might be consequences of the plan not yet realized. He stated HB 667 is shackled with "caps within caps" and suggested the 100% cap should be sufficient. It was noted the question of capital outlay is not properly addressed. **Mr. Melby** stated the legislature should have more confidence in local trustees. He said the bill could lend itself to an over-reliance on local property taxes, the very thing that got education in the state its present predicament.

**Bruce Moerer, Montana School Boards Association (MSBA)**, offered qualified support for HB 667. He said it appears as though it will equalize better than the current system. **Mr. Moerer** said limits on growth for those schools below 80% are neither beneficial nor necessary. He commented that most people in education do not like caps. **Mr. Moerer** said the lack of projected figures for the next couple of years does not make many people in education confident in the plan. He also stated capital outlay expenditures need to be equalized and stressed that SB 32 needs either to be attached to HB 667 or passed on its own. He asked for an effective immediately date and related MSBA's support for a permissive levy in the top 20% of the budget instead of a voted levy. He suggested that non-levy revenue should not be used at this point in time.

**Ernie Jean, Superintendent of Florence-Carlton Public School and Department of Montana Superintendents**, commented HB 667 addresses equalization and stated the concept of the bill has a great deal of merit. He reiterated many points previously made by other proponents. He said the bill could be criticized for not accepting a 135% cap on school spending. He emphasized that as an educator, any cuts in kindergarten through twelfth grade are unconscionable in any form.

**Larry Fasbender, Great Falls Public Schools**, stressed SB 32 needs to be incorporated into HB 667 or passed on its own. He stated HB 667 has real advantages but can also be manipulated to do detrimental things to education. He urged the passage of the bill, with a few minor modifications.

**John Bergman, Laurel School Board Chairman**, said the Laurel School is the lowest spending double A school district in the state. He said his school cannot offer the same programs as neighboring districts. His district is unable to raise the money out of local taxes. **Mr. Bergman** suggested the unsubsidized portion should be permissive rather than voted.

**Penny Bertlesen, Sun River Valley Schools,** stated she was neither a proponent nor an opponent to the bill but cautioned the committee that HB 667 does hurt her district at the elementary level. She asked the committee to consider the possible impact on schools which are considering consolidation.

**Craig Brewington, Superintendent of Hellgate Public Schools,** said his district has seen a seven percent enrollment increase every year for the past several years and expects this growth to continue. He noted a four percent cap on budget growth, as a school falls below the 80% level, does not address a seven percent increase in student enrollment. Because of this requirement, Hellgate Public Schools and other schools with enrollment increases of greater than four percent would never be able to reach the 80% level.

**Brent Gaylord, School Board Trustee from Valier School District,** urged the committee to continue working on HB 667. He asked that funding for K-12 education not be cut as a result of whatever decisions need to be made.

**Bud Mahle, School Board Trustee from St. Ignatius School District,** stood in support of HB 667. Written testimony was provided. **EXHIBIT 5**

**Opponents' Testimony:**

**Don Waldron, Montana Rural Education Association (MREA),** submitted written testimony in opposition to HB 667. **EXHIBIT 6**

**John McNeil, Chairman of Montana Rural Education Association,** said MREA has difficulty with the speed with which HB 667 is being considered. He said the major issue MREA has is with GTB. **Mr. McNeil** distributed printed information supporting his argument against the bill. **EXHIBIT 7**

**Terry Minow, Montana Federation of Teachers (MFT),** stated she appears in qualified opposition to HB 667. She said MFT continues to oppose using caps to force school spending to equalize downward. She insisted the absolute caps are particularly disruptive to districts with local taxpayers who are willing to pass high levies to maintain their school's quality. **Ms. Minow** said HB 667 eliminates the school board's and the community's ability to depend on their schools to meet the needs of their students. She suggested the state's obligation to fund schools may be eroded by HB 667. She said if state support is cut, the negative aspects of the bill will be greatly magnified. **Ms. Minow** offered improvements on HB 667. These changes consisted of including an guaranteed annual base adjustment so schools can count on a base increase which moves upward with inflation, removing the caps for those schools falling in the below 80% level and those falling in the 80%-100% category, removing the option to vote between 80%-100% level, and passing SB 32 (or incorporating it in to HB 667).

**Bob Odermann, Business Manager, Butte School District,** said Butte would be forced to decrease expenditures by one third. He said it is unreasonable to expect the quality of education in Butte to continue if the district is forced to spend \$450.00 less per student in the next ten years than they are at the present time.

**Debbie Shea, Butte Teacher's Union,** said the consequences of HB 667 could be devastating to the Butte schools. She commented that many of the teachers in Butte will be in the high cost category because they are senior faculty with graduate degrees. She said the district will be affected in terms of what it receives in federal and local grants.

**Duane Denny, Superintendent of Hinsdale Public Schools,** stated, under HB 667, the taxpayers in his district would be required to pick up 60% of the cost of education instead of 20%. He explained his district gets neither GTB or PL-874 funds. He said quality teachers would be the ones to recognize a cut in salary in order to assist in decreasing the expenditures of the district. **Mr. Denny** asked the committee to consider the impact HB 667 will have on teachers' salaries. He said these salaries would be targeted because it is the only way many schools will be able recognize a cut in expenditures.

**Bonnie Gagnon, District Clerk Cayuse Prairie Elementary School,** stated she stood in opposition to HB 667 because of taxpayer inequity. She said it will cost her district 160 mills to get to the 100% level. **Ms. Gagnon** said a school which receives GTB aid will only be required to pay 17 mills for the same budget. She suggested the 900%-1000% difference is too high. She took the opportunity to urge support for SB 32.

**Jim Anderson, Superintendent of Colstrip Public Schools,** stated his district is not opposed to equalization. He stressed concern for the portion of the plan that requires schools to equalize downward. He said it should be a local option for the taxpayers to reach the level of expenditures they wish.

**Rod Svee, Superintendent of Hardin Public Schools,** noted his qualified opposition to HB 667. He said some of the deficiencies of the plan are the schedules upon which the system is based. He said the equalization plan should be based on what education costs and not on expenditure amounts. He suggested the plan is based on flawed assumptions. He reflected on the comment made by **REP. KADAS** about equalizing non-levy revenue, i.e. that it will be much easier for schools to pass levies that can afford to. He said it has recently been very difficult for his district to do so. The taxpayers in his district have been required to pay upwards to an 83% increase in taxes in recent years. He spoke in favor of keeping PL-874 money out of the equalization argument as it is a non-budgeted fund. He stressed that the educational system is constantly in a state of flux and asked the committee to consider his comments in their consideration of the bill.

Questions From Committee Members and Responses:

**REP. HANSON** asked if the Office of the Legislative Auditor could run a schedule to reflect a 2% and a 33% recapture rate for schools to reach the caps. **Jim Gillett** replied he could have it ready for the representative the following day.

**REP. HARRINGTON** asked **REP. SIMPKINS** asked about the amendment to be offered to the committee which will take fifty-two million dollars out of the bill and reduce the guaranteed mill value. **REP. SIMPKINS** said the amount would be thirty-seven to forty million, but the details have not yet been finalized. **REP. HARRINGTON** asked if a forty million dollar reduction will then be proposed. **REP. SIMPKINS** said there will be such an amendment. He said the amendment would attempt to hold budgeting to the last biennium's level. He said cuts in the model are designed to take into account the student number increase and the increased requirements for GTB. He said this will not affect every school in the same manner. **REP. HARRINGTON** asked what areas will be affected by further cuts in HB 667. **REP. SIMPKINS** said he did not have an exact answer for that and said it is ultimately up to this committee to decide where the cuts will be made. **REP. HARRINGTON** asked if these proposed changes will have an affect. **REP. SIMPKINS** answered by saying "if we even remove one dollar, it will have an affect."

**REP. HANSON** stated the figure of forty million dollars to which **REP. SIMPKINS** is referring is part of the revenue and expenditure agreement.

**REP. SPRING** asked **REP. SIMPKINS** how HB 667 addresses continued or abnormal growth. **REP. SIMPKINS** said the abnormal growth provision remains as in present law. He said districts can apply for more funds with the advent of unexpected growth. He stated the 104% of the average ANB cost can also be used to take care of the growth, i.e. to use 104% of the ANB (not of the budget).

**REP. SPRING** asked **Mr. Bergman** if he knew the mill value per ANB for Laurel Public School. **Mr. Bergman** said the value for the high school is approximately \$25.43 and the amount for the elementary school is approximately \$11.43.

**REP. MCCULLOCH** asked **REP. SIMPKINS** if HB 667 actually moves farther away from equalization because the state contribution was reduced from 50% to 40%. **REP. SIMPKINS** said it is best to look at equalization in two terms. He said it is necessary to look at the tax effort (the ability to raise money) and equalization per student expenditure. He said the Select Committee had to decide the state's share of the 80%. He suggested the percentage is less because GTB is not being used as part of the equalization plan. **REP. MCCULLOCH** questioned if it was true the plan was moving away from the state's contribution. **REP. SIMPKINS** replied it was not. He stated one must look at the amount put into GTB aid plus the direct support. **REP. MCCULLOCH** asked if ANB is still based on

enrollment and if more current enrollment figures have been considered. **REP. SIMPKINS** said the Select Committee will recommend using more current and thus more accurate enrollment figures. He stated the Select Education Committee's present revenue neutral plan is based on the information available.

**REP. ROSE** asked **Mr. Waldron** to explain the inequities in cost per student in rural school districts. He asked if the state should be responsible for paying 40% of those costs. **Mr. Waldron** replied that these high costs are the results of the isolation of these schools and their lower taxable valuation.

**REP. WYATT** commented the Auditor's Office stated HB 667 was not a consolidation bill nor an anti-consolidation bill. She asked **REP. SIMPKINS** if the model does indeed not have a predetermined direction in the area of consolidation. **REP. SIMPKINS** replied it is not the intent of the bill to address the consolidation question. He said some schools would benefit from consolidation based on the way in which the model is designed. He said, in this light, HB 667 might be perceived to encourage consolidation but it does not do so any more than the present system.

**Closing by Sponsor:**

**REP. SIMPKINS** stressed it is not the intent of HB 667 to hurt any school. He insisted that education needs to be addressed across the state of Montana as a whole. He contended the proposed equalization program has not been designed to alter the present system, but to create a new system which provides greater equality of funding. **REP. SIMPKINS** commented the caps came as a result of a compromise between the members of the Select Education Committee, some of whom did not want voted levies above the minimum and those of whom were concerned with permissive levies. He again explained the caps and the percentages under which they are enforceable. **REP. SIMPKINS** stressed HB 667 does not attempt to equalize on programs not part of basic quality education, as defined by the state. He insisted it is the intent of HB 667 to equalize schools in Montana and that this is accomplished in both an upward and downward direction. It was emphasized the equalization of capital, retirement, and transportation must be considered. **REP. SIMPKINS** indicated these questions need to be addressed at the committee level. He thanked those present for their suggestions to make HB 667 work better for education in Montana.

EXECUTIVE ACTION ON HB 540

Motion: REP. MCCARTHY MOVED TO RECONSIDER ACTION ON HB 540 AND REMOVE FROM THE TABLE.

Discussion:

REP. MCCARTHY stated HB 540 should be introduced to the House floor for discussion. She stressed the bill would allow use of twenty million dollars in the Higher Education Deferred Maintenance Fund which would otherwise be deposited in the Coal Severance Tax Trust Fund.

REP. SPRING stated he had previously opposed but would now support the motion.

REP. SIMPKINS said HB 540 violates the trust of the people of Montana when they voted for the Treasure State Endowment Fund. He stated he would also opposed the motion for the university system will recognize an increase in eleven million dollars after the presumed funding cuts to take place in this legislative session.

Motion/Vote: RECONSIDER ACTION ON HB 540 AND REMOVE FROM THE TABLE. Motion carried 11 to 7 with REPS. BRANDEWIE, HERRON, MILLS, REHBEIN, SIMPKINS, ELLIS, and HANSON voting no. EXHIBIT 8

Motion/Vote: REP. MCCARTHY MOVED HB 540 DO PASS. Motion carried 11 to 7 with REPS. BRANDEWIE, HERRON, MILLS, REHBEIN, SIMPKINS, ELLIS, and HANSON voting no. EXHIBIT 9

ADJOURNMENT

Adjournment: 6:15 p.m.

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

Susan Lenard  
SUSAN LENARD, Secretary

HSH/SL

# HOUSE OF REPRESENTATIVES

## Education and Cultural Resources COMMITTEE

ROLL CALL

DATE

3/15/93

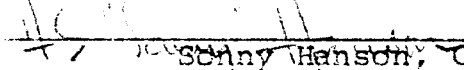
NAME	PRESENT	ABSENT	EXCUSED
REP. SONNY HANSON , CHAIR	✓		
REP. ALVIN ELLIS , VICE-CHAIR	✓		
REP. DIANA WYATT , VICE-CHAIR	✓		
REP. RAY BRANDEWIE	✓		
REP. FRITZ DAILY	✓		
REP. ERVIN DAVIS	✓		
REP. ED DOLEZAL	✓		
REP. DAN HARRINGTON	✓		
REP. JACK HERRON	✓		
REP. BOB GERVAIS	✓		
REP. BEA MCCARTHY	✓		
REP. 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 16, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that House Bill 540 (first reading copy -- white) do pass .

Signed:  Sonny Hanson, Chair

Committee Vote:  
Yes 11, No 7.

590820SC.Hss

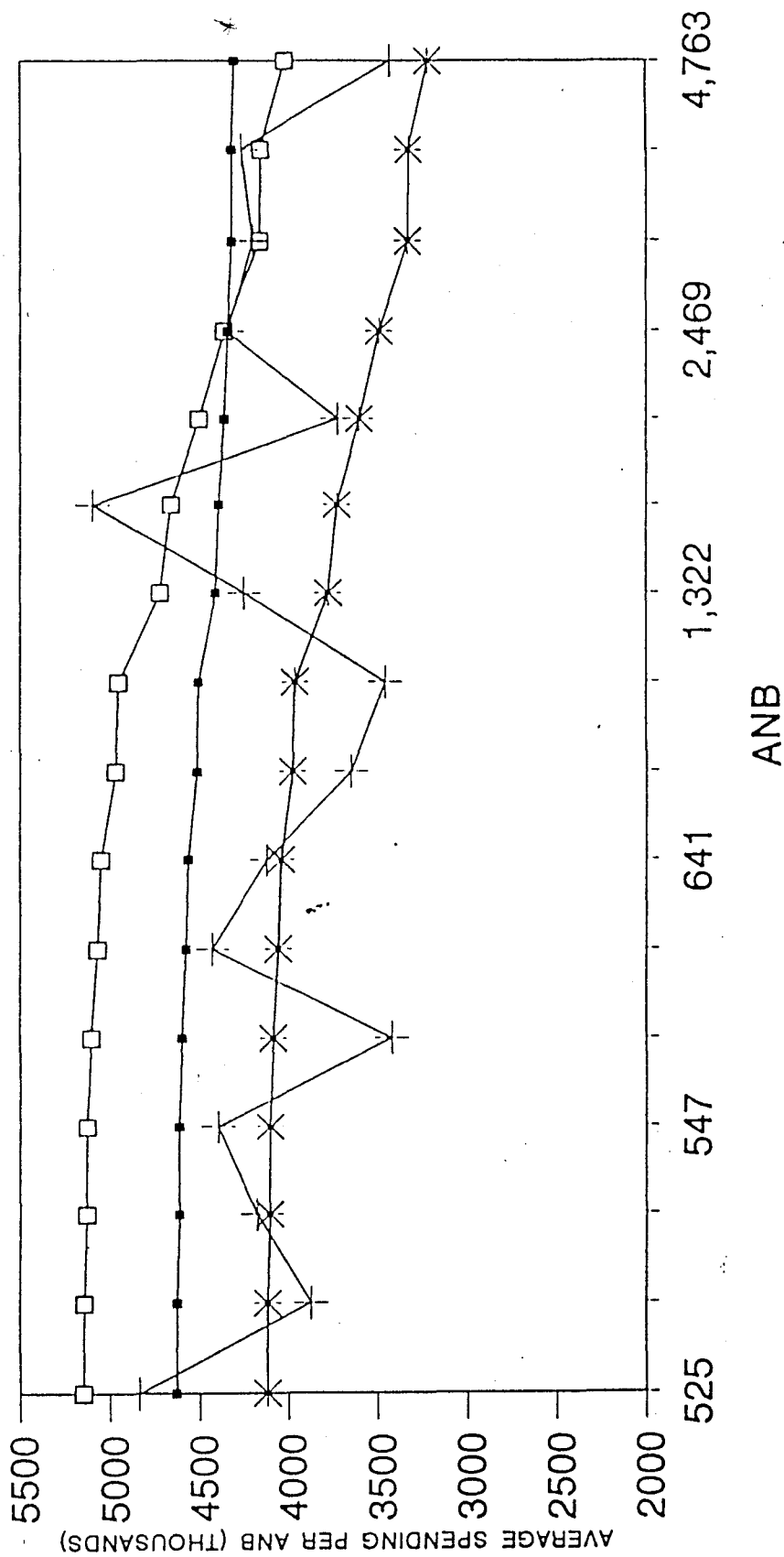
EXHIBIT 1  
DATE 3/15/93  
RB 667

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

		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%
REQUIRED HIGH SPENDER REDUCTION			0.00%
ESTIMATED DISTRICT BUDGET GROWTH			0.00%
MAXIMUM PER STUDENT REDUCTION ANB		2000	1000
CURRENT FY 93 GF BUDGETS	\$562,512,474		
TOTAL SIMULATED GF BUDGETS	<u>\$564,877,137</u>		
DIFFERENCE IN GF BUDGETS	\$2,364,662	\$1,286,274	\$1,078,388
OLD STATE SUPPORT	\$383,861,336		
NEW STATE SUPPORT	<u>\$383,786,345</u>		
STATE SUPPORT DIFFERENCE	(\$74,991)	(\$2,127,177)	\$2,052,187
STATE EQUALIZATION %	89.08%		

# OFFICE OF THE LEGISLATIVE AUDITOR

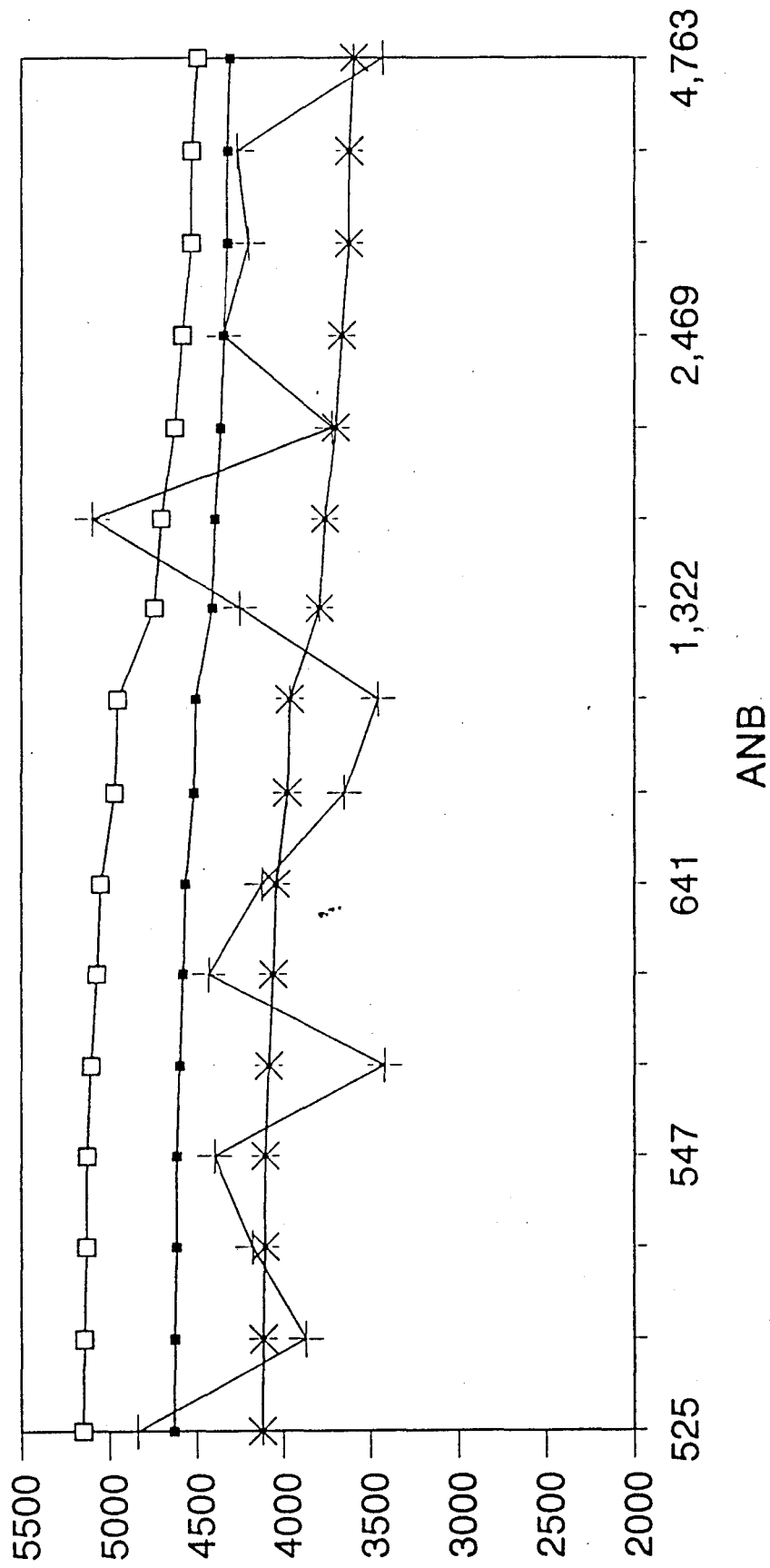
## HIGH SCHOOLS WITH 501 & UP ANB (2500 STOP LOSS)



—■— REGRESSION/ANB —+— CURRENT/ANB \* MIN/ANB —□— MAX/ANB

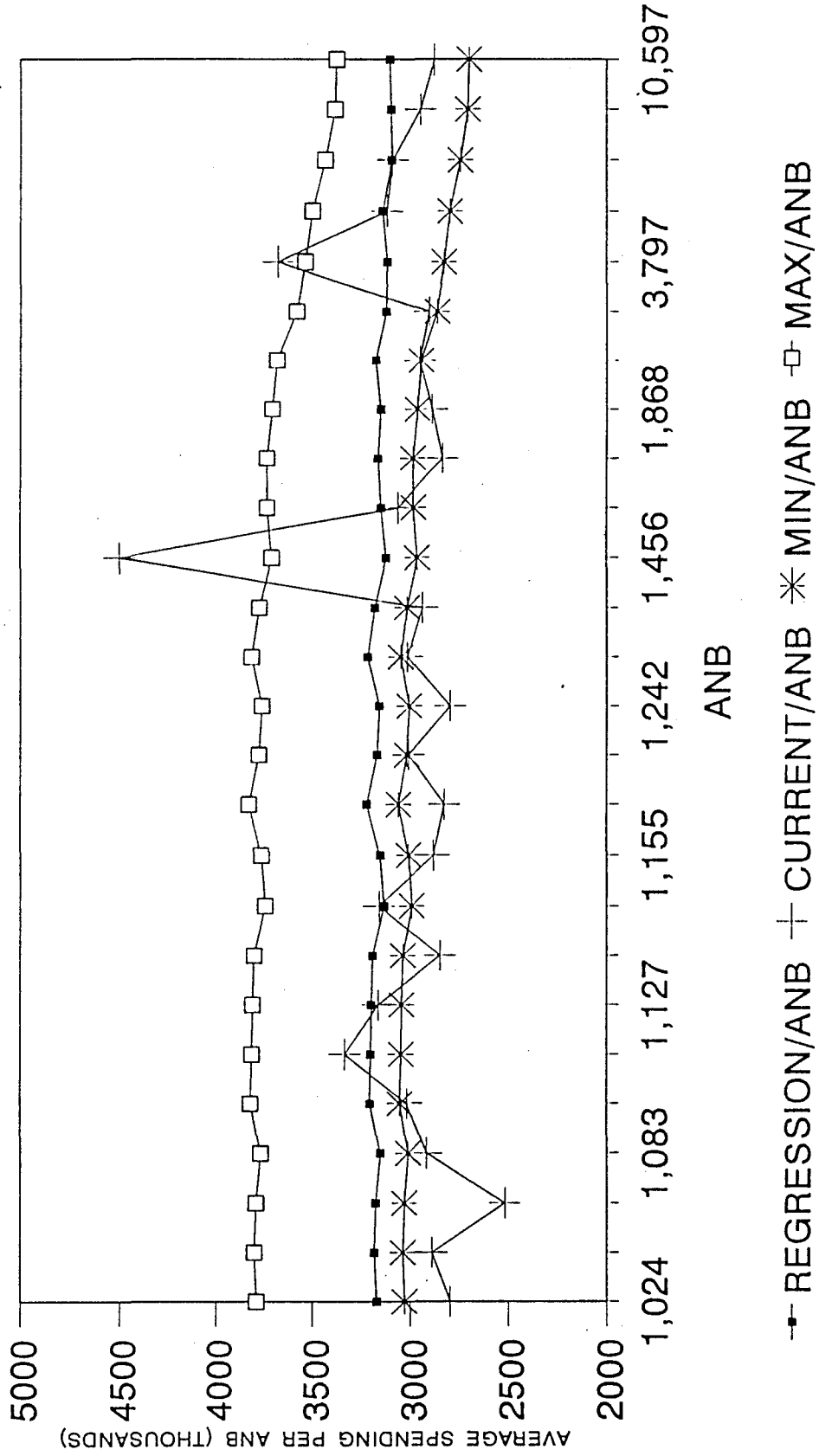
# OFFICE OF THE LEGISLATIVE AUDITOR

## HIGH SCHOOLS WITH 501 & UP ANB (1000 STOP LOSS)



+ REGRESSION/ANB  
 \* CURRENT/ANB  
 □ MAX/ANB

# OFFICE OF THE LEGISLATIVE AUDITOR ELEMENTARY WITH 7TH & 8TH 1001 AND UP ANB (2500 STOP LOSS)



# OFFICE OF THE LEGISLATIVE AUDITOR

## ELEMENTARY WITH 7TH & 8TH 1001 AND UP ANB (2000 STOP LOSS)

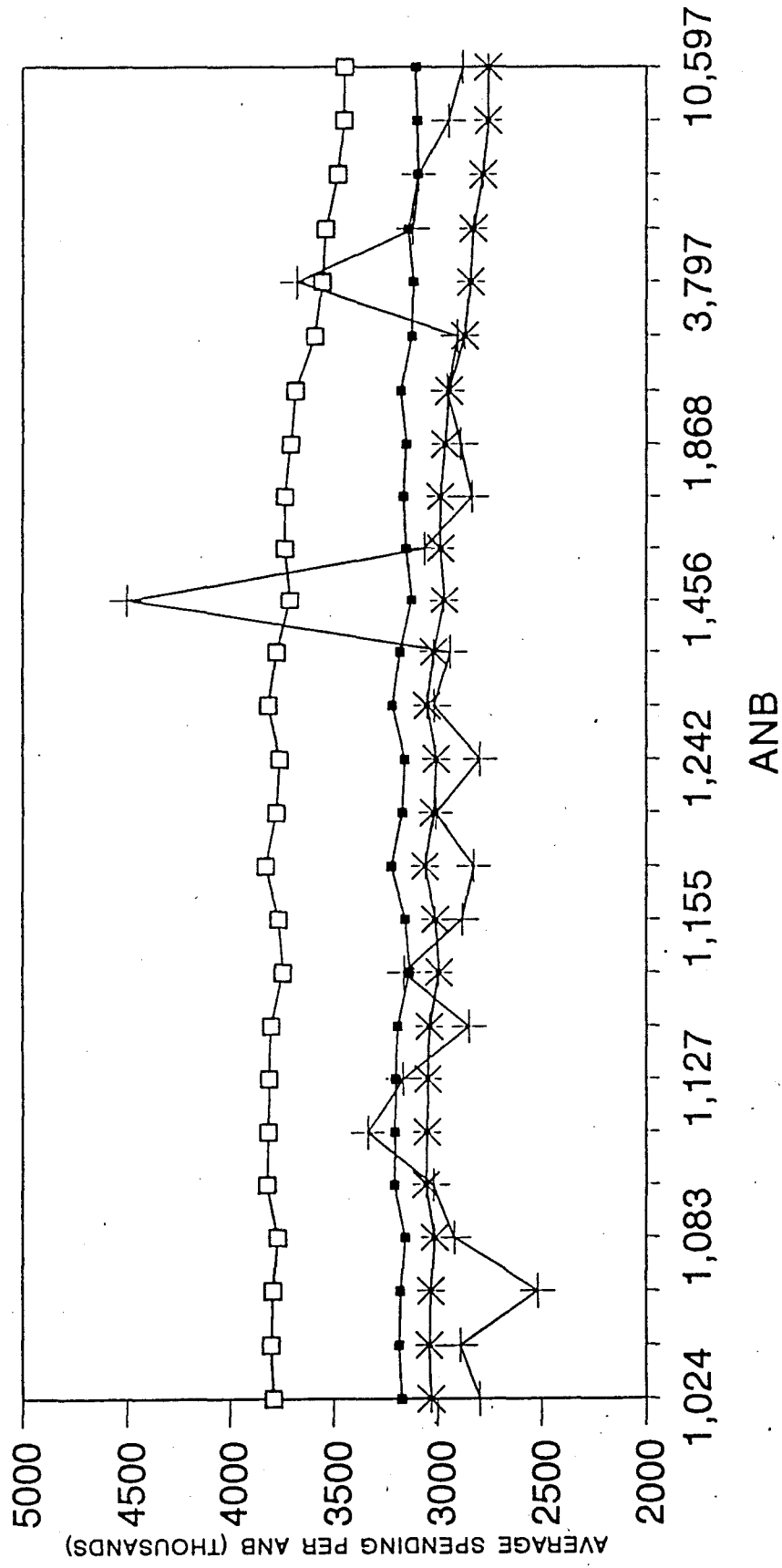


EXHIBIT 3  
DATE 3/15/93  
HB 667MEMORANDUM

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 data and spread sheets for school districts in the state).

EXHIBIT 4  
DATE 3/15/93  
HB 667

<u>1SEC</u>	<u>PG #</u>	<u>DESCRIPTION</u>
1	4-7	DEFINITIONS
3	7-8	BASE FUNDING PROGRAM
3	8-12	BUDGET CALCULATIONS & CAPS
4	12-17	UPDATE COUNTY SUPERINTENDENT
5	17-21	UPDATE TRUSTEES (IMPACT AID FUND)
6	21-22	UPDATE TUITION (ELEMENTARY) ?
7	22-26	UPDATE HIGH SCHOOL TUITION ?
8	26-27	PRO-RATED JUNIOR HIGH SCHOOL OPERATING IN MULTIPLE DISTRICTS
9	27-29	GENERAL FUND BUILDING
10	29-31	K-12 FUNDING-BUDGET CALCULATIONS
11	31-35	GEN FUND OPERATING RESERVE - ✓ TRANSFER OUT 874
12	35-40	UPDATE EXCESS RESERVES - remove 874
14	41-45	COMPUTE GEN FUND NET LEVY - UPDATE AND FIX 874
15	45	DIRECT DISPOSITION OF 874
16	45	BUDGET AMENDMENT UPDATED
17	46-47	UPDATE AUTHORIZATIONS
18	47-49	BUDGET AMENDMENT RESOLUTION TO O.P.I.
19	49-51	ADD IMPACT AID FUND TO DEFINITIONS
20	51-53	NON-ISOLATED SCHOOL BASED FUNDING SPECIAL EDUCATION
21	53-54	JOINT DISTRICT BASE FUNDING PROGRAM
22	54-58	UPDATE SPECIAL EDUCATION A.N.B.
23	58-60	UPDATE A.N.B. UNUSUAL ENROLLMENT INCREASE
24	60-64	ALLOWABLE COST CONTAINMENT AND CONTINGENCY FOR SPECIAL EDUCATION

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EXHIBIT 5  
DATE 3/15/93  
#B 667

TESTIMONY  
HB 667

March 15, 1993

HB 667 does a good job of equalizing funding on a per student basis. However, the following are problem areas which need incorporation into the Bill:

- 1) Does not encourage consolidation of any kind; schools, administration, or services.
- 2) Does not address mandates issued by the Board of Education or OPI; mandated programs or restrictions do not have funding tied to them; ex; limit students per class; Gifted and Talented (July 1993, Special Education, etc.

Some of these should not be mandated in "classing" students--there are much better ways to handle these. All children are "gifted" in some way.

- 3) PL 874 becomes a part of general budgets. Should be designated funds and could be used for; debt service, construction, land acquisition. This is the only way some Reservation School Districts (such as district 28 where a mill is worth \$1700) can construct buildings, add classrooms, or purchase lands.

(Keenan's proposal is totally unsound.) Also 874

monies on Reservations should be allowed to be used as part of the District's 40% share under HB 667, because of low taxable evaluation.

4) HB 667 does not address the quality of education or a basic education program which is being funded. In order to have true equalization, in addition to equal dollars, we need to equalize educational opportunity.

*Bud Mahle*  
*Trustee - Sch. Dist. 28*

MONTANA RURAL EDUCATION ASSOCIATION HB 667  
P.O. BOX 5418  
HELENA, MONTANA 59604  
(406) 442-8813  
FAX (406) 442-8839

TESTIMONY ON HOUSE BILL 667

Don Waldron, Lobbyist  
Montana Rural Education Association

The Montana Rural Education Association is intrigued with the equalization model of House Bill 667. We agree with many of the assumptions made in the data elements. It also has been refreshing to be part of the openness in the development of this bill.

We are an opponent of House Bill 667 for a couple of very fundamental reasons:

(1) The inequities in our present system in the treatment of smaller school districts and low taxable school districts have been carried forward and in some cases intensified;

(2) We have taken our case under the present system to court and feel that schools and the legislature both need to know what the legal system has to say in the court's decision. The new House Bill 667 funding formula has moved so fast that we fear the court will not have time to rule. The court's ruling is very important since we feel this new funding has some of the same problems.

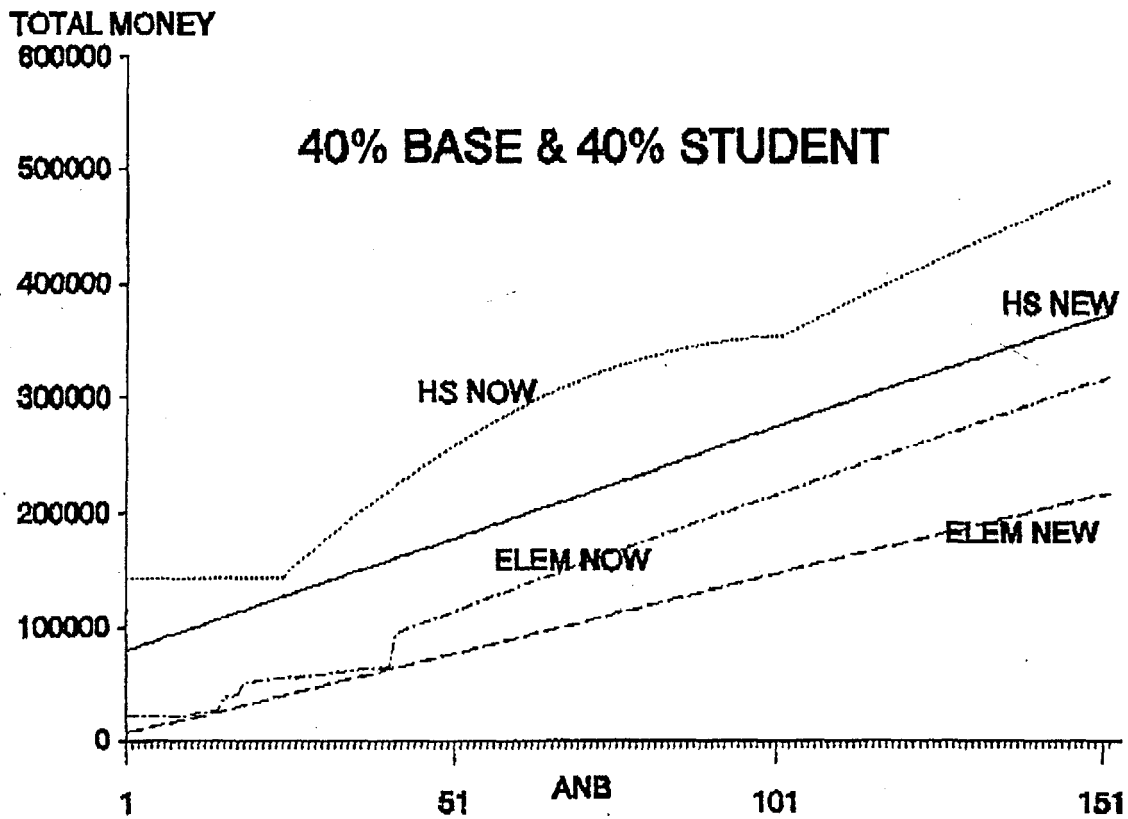
John McNeil, President of MREA, would like to share some data that helps illustrate our points of concern, along with showing you how a change in GTB would help equalize the tax

burden. Senate Bill 308 introduced by Senator Stang will go a long way in correcting the GTB problem of our present system. In the new system we double the disparity it includes. We have other concerns about the bill that are the same as you have heard from some of the proponents with qualifications which we will not repeat.

Our thanks again to the Legislative Auditor's Office staff and the members of the Select Committee for their openness and cooperation in the development of this funding system.

EXHIBIT 7  
DATE 3/15/93  
HB 667

# FOUNDATION PROGRAM



# FOUNDATION PROGRAM

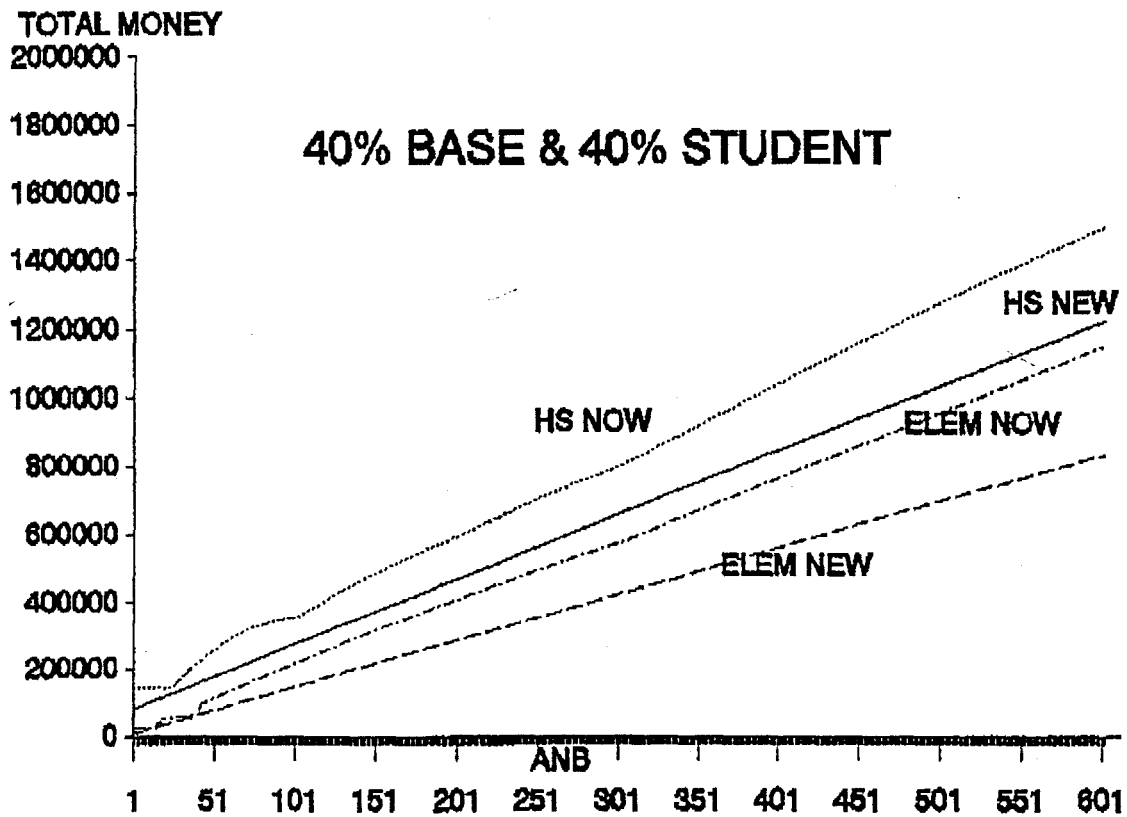


EXHIBIT 7  
 DATE 3/15/93  
 SB HB 667

Effect on FP Ratios (Weights) by Addition of GTB, for Elementary;  
 1990-91

Category Comparison	Current FP Category Ratios (Weights)	State Aid per ANB	State Aid per ANB Ratios (Weights)
1-6	1.81:1	3,738	1.64:1
2-6	1.18:1	2,443	1.07:1
3-6	1.10:1	2,287	1.00:1
4-6	1.29:1	2,686	1.18:1
5-6	1.13:1	2,480	1.09:1

1-9 or less  
 2-10-17  
 3-18-40  
 4-41-100  
 5-101-300  
 6-300 up

6 1:1 2,287 1:1

Effect on FP Ratios (Weights) by Addition of GTB, for High  
 Schools; 1990-91

Category Comparison	Current FP Category Ratios (Weights)	State Aid per ANB	State Aid per ANB Ratios (Weights)
1-7	2.81:1	7,014	2.52:1
2-7	2.27:1	5,672	2.04:1
3-7	1.77:1	4,625	1.66:1
4-7	1.28:1	3,359	1.21:1
5-7	1.14:1	2,962	1.06:1
6-7	1.03:1	2,766	0.99:1

- 24 or less  
 - 25-40  
 - 41-100  
 - 101-200  
 - 201-300  
 - 301-600  
 7-600 up

7 1:1 2,793 1:1

**90-91 GTB**

	<u>ANB</u>	<u>MILL VALUE PER ANB</u>	<u>PERM \$ FP * 35%</u>	<u>ACT MILL VALUE</u>	<u>GTB MILL \$44.73/ANB</u>	<u>PERM MILLS WITH GTB</u>
BILLINGS	4579	31.88	3,998,611.	145,978.	204,851.	19.51
COLUMBUS	152	31.82	171,783.	4,837.	6,799.	25.26
VICTOR	75	32.93	114,397.	2,470.	3,355.	34.10
ST. REGIS	57	54.59	98,673.	3,112.	(2,549.)	(31.70)

**90-91 WEIGHTED GTB**

	<u>ANB</u>	<u>FP RATIO</u>	<u>WEIGHTED ANB</u>	<u>ACT MILL VALUE</u>	<u>WEIGHTED GTB MILL \$39.53/ANB</u>	<u>PERM MILLS WEIGHTED GTB</u>
BILLINGS	4579	1.0	4579	145,978.	181,053.	22.08
COLUMBUS	152	1.294	197	4,837.	7,787.	22.08
VICTOR	75	1.75	131	2,470.	5,178.	22.08
ST. REGIS	57	1.982	113	3,112.	4,467.	22.08

**RESULTS OF WEIGHTING GTB ON PERMISSIVE**

	<u>PERM MILLS NO GTB</u>	<u>PERM MILLS WITH GTB</u>	<u>PERM MILLS WEIGHTED GTB</u>
BILLINGS	27.39	19.51	22.08
COLUMBUS	35.31	25.26	22.08
VICTOR	46.31	34.10	22.08
ST. REGIS	31.70	(31.70)	22.08

EXHIBIT 7  
 DATE 3/15/93  
 HB 667

**SELECT COMMITTEE SCHOOL FUNDING BILL HB 667**

	<u>ANB</u>	<u>TARGET BUDGET</u>	<u>STATE \$ BASE</u>	<u>MILL VALUE GTB/ANB</u>
BILLINGS	4579	18,477,514.50	7,391,005.80	375,478.
COLUMBUS	152	939,062.00	375,624.80	12,464.
VICTOR	75	566,112.50	226,445.00	6,150.
ST. REGIS	57	478,502.00	191,400.80	4,674.

<u>MILL VALUE GTB/BASE</u>	<u>PERMISSIVE \$</u>	<u>PERM MILLS GTB/ANB</u>	<u>PERM MILLS GTB/BASE</u>	<u>MILLS TO FUND 20% LEVEL</u>
332,595.	6,467,130.	17.22	19.44	25.32
16,903.	328,671.	26.31	19.44	38.83
10,190.	198,139.	32.22	19.44	45.84
8,613.	167,475.	35.83	19.44	30.75

- A. EXAMPLE USES ONLY PERMISSIVE MILLS TO FUND PERMISSIVE \$
- B. GTB/ANB AT \$82.00 PER ANB
- C. GTB/BASE AT \$.045 PER STATE BASE \$

EXHIBIT 8  
DATE 3/15/93  
HB 540

HOUSE OF REPRESENTATIVES

Education and Cultural Resources COMMITTEE

ROLL CALL VOTE

DATE 3/15/03 BILL NO. HB 540 NUMBER \_\_\_\_\_

MOTION: Reconsider Action

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		✓

## HOUSE OF REPRESENTATIVES

EXHIBIT 9  
DATE 3/15/93  
HB 540Education and Cultural Resources COMMITTEE

## ROLL CALL VOTE

DATE 3/15/93 BILL NO. HB 540 NUMBER \_\_\_\_\_MOTION: DO PASS for 2nd reading

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		✓

**HOUSE OF REPRESENTATIVES  
VISITOR REGISTER**

EDUCATION AND CULTURAL RESOURCES COMMITTEE

**BILL NO.** HB 667

**DATE** MARCH 15, 1993 **SPONSOR(S)** R. FAGG

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Ernie Jean	Florence-Carlton School School Superintendents	X	
Ronald STEGMANN	E. HELENA School Dist #9	X	
Charles Frost	Harlowton School District 16		
Richard F. Smith	STEVENSVILLE School Dist. #2	X	
Robert Loucky	W. Point Schools		
Ron Zier	Manhattan Schools #3	X	
Terri J. Miller	Cayuse Prairie School - Flathead	X with reservations	
James H. Miller	Cayuse Prairie - Kalispell	undecided	
Kurt Dyer	Brady Schools	undecided	
EARL MCINLEY	TURNER SCHOOLS	?	?
Ronald Fox	Turner #43	?	?
CHRIS KOLSTAD	CHESTER #33		✓
Don Waldron	MREA		✓
Patricia Hereim	W. SS #8	✓	

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**HOUSE OF REPRESENTATIVES  
VISITOR REGISTER**

**EDUCATION AND CULTURAL RESOURCES**

**COMMITTEE**

**BILL NO. HB 667**

**DATE** MARCH 15, 1993 **SPONSOR(S)** R. FAGG

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE	
John McNeil	MREA SAVAGE		X	
KATHLEEN EATON	Morel Schools		X	As usual written
Larry C. Biere	Stanford School		X	as current written
Deanne A. Denny	Hinckley Schools		X	
David C. Huber	Nashua Schools			
Tom Tognetti	Stevensville Schools	XXX		Not Cont.
Bonnie Rasmussen	Cayuse Prairie	with changes in taxpayer's equity		
Archie Crandall	John SD 85	674		
Mont Haylock	Valley SD 18	✓		
Bob Korthuis	Jericho Gap	support but question some specifics		
Susan Frankle	Frenchtown SD 40	X		
Bob Ackerman	Butte SD #1		X	AK 2/17/93
Edgar J. Mathews	AD RF			
Larry Jacobson	Great Falls Public Sch.	✓		

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**HOUSE OF REPRESENTATIVES  
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EDUCATION AND CULTURAL RESOURCES

COMMITTEE

BILL NO. HB 667

DATE MARCH 15, 1993 SPONSOR(S) R. FAGG

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Daryl Bertelsen	Belt School #29		
STEVE JOHNSON	BOZEMAN #1	X	
CRAIG BREWINGTON	MISSIONS #4	X	
John Berg	Laurel School Dist	X	
Jim Andersen	Glstrip School Dist #19		✓
JIM STANTON	BAKER Schools		✓
GARY STEUERWALD	Billings Public Schools	✓	
Jim PALMER	Brady Public Schools	✓	
Terry Morrow	MT Ad of Teachers		
Teresa McElwain			
Carol McElwain	Butte Silver Bow S.B		
Linda GARKIN	St. Regis Schools	✓	
Debbie Shea	Butte		✓

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**HOUSE OF REPRESENTATIVES  
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**EDUCATION AND CULTURAL RESOURCES COMMITTEE**

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Mike Button Plains	SD #1		
Leo Lorenz	Joliet SD #1		
John S. Schultz	M. S. B. A. #27		
Jacki Hennich	Ramsay Dist #3		
Rachel Bradley	Twin Bridges		
Loan Frazier		X	
T.G. Bud Mahle	Sch. Dist - 28 ST. IGNATIUS MT	X	
Annette Laid	Montcalm City School	X	
Lori Jauer	MSA	2	
Rodney Snee	Hardin Public Schools		✓

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**HOUSE OF REPRESENTATIVES  
VISITOR REGISTER**

EDUCATION AND CULTURAL RESOURCES COMMITTEE

**BILL NO.** HB 667

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Lori Jo Utley 220 Liahona Ct. Kalispell	District #10 Flathead Valley School District (Trustee)		
Joe Brett 804 4th St. Valier, MT	District #18 Valier Supt.	✓	
GLENN WOLFE CHESTER, MT. 59522	DISTRICT #33 CHESTER TRUSTEE		✓
HARRY D. ERICKSON	Belgrade Schools	✓	
JACK EGGENSPERGER	DARBY SCHOOLS	X	
PENNY BERTHESEN	Sun River Valley School		
Gary A. Parker	Scorpio Valley	?	?
Neil Packer	Stevensville schools	X	
<del>Conrad Peterson</del>	<del>Leavenworth Schools</del>	X	
Roger Johnson	Leavenworth Schools	X	
Carter Christensen	Plena Schools		✓
Pat Melby	Underwood Schools	✓	
Robert Otter	Westby School		✓
Calvin D. Moore Calvin D. Moore	Medicine Lake		✓

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