

## **MINUTES**

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

#### **SUBCOMMITTEE FOR SELECT COMMITTEE ON SCHOOL FINANCE**

**Call to Order:** By Senator Chet Blaylock, Chair, on April 2, 1993, at 7:06 a.m.

#### **ROLL CALL**

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

Sen. Chet Blaylock, Chair (D)  
Sen. Bob Brown (R)  
Sen. John Hertel (R)  
Sen. Spook Stang (D)  
Sen. Daryl Toews (R)  
Sen. Fred Van Valkenburg (D)  
Sen. Mignon Waterman (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: HB 667  
Executive Action:

##### **Discussion:**

Chair Blaylock gave the outline of how he would like to conduct the meeting and the committee agreed. He said he wanted this committee to come out making recommendations to the full committee and would hope we can be as unified as possible on what we will do. We are talking about some very fundamental changes in the way we fund education and the way we do education in the state of Montana. There is a lot of work that has gone into these bills and basically we have before us HB 667 and SB 432. He said he saw the job of legislators and as state senators, at this point, is to make the fundamental policy decisions to give direction to our mechanics. We have a lot of good people here who know how these things work, but they deserve and need direction from us on the way they should go. We are going to have to make some tough decisions here. He suggested the first thing needed is to make HB 667 because it is so far down the

road, has received the blessing of the House of Representative, we have heard it here, the best vehicle possible. We have also heard 432 but could not see the possibilities of SB 432 going out and getting through in the House. If that is the case, then the model we have to work with is HB 667. He said Representative Cobb has put a lot of effort into this and worked hard on it. Rep. Cobb had told him there are things wrong with 667 but they ran out of time in the House. Our job here is to make 667 as good a bill as we can. He had been told this would be a simpler way of doing things than what we have been doing. He said he would have Kathy Fabiano, OPI, talk to us first because she has had a lot of accounting experience and she will go through 667 for us and tell us, from the standpoint of the OPI, how this bill can be improved. Because there had been some controversy over the Legislative Auditor's input into this bill, he had specifically asked Senator Greg Jergeson for permission to have the Legislative Auditor people at this meeting. He had told Senator Jergeson that, as Chairman of the Legislative Audit Committee, he should protect the Legislative Auditor's office from all of these random requests and the Senators should not be going to the auditor's office if they are outside the auditor's function. The reason he had asked for specific permission for the Auditor's office to be here was because they have put a tremendous amount of influence into this bill. He believed it was only fair to the bill and the concepts that they are here.

Chair Blaylock said this room is full of expertise, a number of superintendents are here, and as the meeting goes on, he would encourage the members to ask questions of these people to get it clear in our minds what we are going to be doing.

Senator Brown said he would echo most of the comments the Chair had made. He believed HB 667 had some very good work go into it and it is a concept that takes reform in the right direction in many respects. He believed this is the vehicle we need to work with.

**Motion/Vote:** Senator Brown moved the subcommittee focus it's attention on HB 667. Motion CARRIED, Senator Van Valkenburg absent.

Chair Blaylock asked Senator Brown if it would be all right to say any of the things we can put into 667 from SB 432 that would improve the bill or make it work better would be part of our aim also. Senator Brown agreed.

Kathy Fabiano, OPI, said they appreciated the opportunity to discuss in depth, the policy questions you need to decide as this finance bill is developed. HB 667 is a good start, but there are several critical questions that need to be answered by the Legislative Auditor's office before we can tell you if this fiscal model approach used in this bill will benefit, harm or have no substantial effect on schools, compared to the present system.

Chair Blaylock asked Jim Gillett, Legislator's Office, to take notes as Ms. Fabiano goes through this, and on the points she makes, he will be called on next to tell us if this is something that we need to fix, or whatever.

Ms. Fabiano had the questions handed out to the committee, and then read through them. (exhibit 1)

Ms. Fabiano said these questions should all be answered to your satisfaction before policy decisions, like should the \$18,000-\$200,000 base amounts, or the stop loss amount be adjusted. Since the answers to these questions may not be reflected in the spread sheets or the what you have before you of statistical matter, you may not have a total picture of the district impact and implications of House Bill 667 on Montana schools. For this reason, our office recommends you retain the 80 to 100 minimum maximum budget mechanism in the bill. It is a good way to address pro-people spending disparities, but apply the concept to the current schedules instead of to the statistical model.

Chair Blaylock asked if that was basic and Ms. Fabiano said yes. She handed in written testimony. (exhibit 2)

Chair Blaylock said one of the really heavy questions this committee will have to look at, is "do we bring in the non-revenue levy here and redistribute. That will be a fundamental policy decision we make a recommendation on. She said they concur with Representative Kadas's recommendation but believe we should give districts affected by it, the authority to levy permissively to a certain level.

Ms. Fabiano read # 10 and said basically there are two concerns, one is do you want to subject 874 dollars that are spent for general fund purposes to the caps that are in the bill and the other question is, if you put 874 money into the new general fund budget provisions--the 80% minimum area, you have to pay GTB on any 874 dollars. When you force those districts to budget a minimum dollar amount, they will either have to levy their taxpayers to get to that 80% minimum or you will have to allow them to use 874 dollars in that 80% area and pay GTB on those dollars.

Chair Blaylock asked, in all those recommendations, how much do the dollar amounts change. If we were to implement all the things you are taking about, does it increase the cost of the bill as it stands now. Ms. Fabiano said it does not need to increase the cost, it depends on how you incorporate these provisions into the bill, on where you set the 80 and 100% maximums based on the current schedules and how much the current schedules you change to be in GTB. The money that is currently distributed under the schedules, if that amount is reduced and the amount of GTB is increased, that goes to districts to further equalize more dollars. It is where you set those levels that determines the cost.

Jim Gillett, Legislative Auditor's office said he could address the five questions that Ms. Fabiano posed to our office. The remainder that are either in or not in the bill, he would leave for later.

Mr. Gillett said on the regression analysis, including capital outlay and special education costs that are currently in the general fund in the regression analysis, they did that because the instructions they had received from the Select Committee was that the bill was not going to include any provisions to remove those from the general fund. Because of that, if there was a legitimate general fund expenditure under the current system and the intention was for them to continue under a modified system, you leave them because they are, and would continue to be, legitimate general fund expenditures. If you were to choose to not allow those things in the general fund, or put them on a separate model in the general fund, you might want to think whether a different regression analysis would be appropriate. That was done, based on our instructions from the Select Committee, that those things were going to remain part of the general fund, and as such, we left them in the regression analysis.

Mr. Gillett addressed the question of why a district size is the only factor the model recognizes as education relevant. First, they left the special education expenditures in. That is an educational relevant factor in the regression analysis. That was done on actual '92 expenditures. Other than those special education costs which were included in the regression analysis, the only factor which currently exists in law is school size. The select committee's instructions were to maintain that educational relevant factor, they had not, at that point in time, identified any additional educational relevant factors and to date none have been identified. That is why that was the primary factor in preparing that analysis.

Mr. Gillett addressed the question of the incentive to maintain separate districts or to consolidate under this bill. He said when they did the analysis, the school size was an educational known factor, and their instructions from the select committee were to design a system that would accommodate to one degree or another, any school size. Whether an individual school district needs to exist or not, is a public policy decision which probably the Legislature should make. Looking at schools around the state, there are probably schools of all sizes that need to exist, and because of that the notion was to design a system that would accommodate any school system with consolidation being a separate issue. As we discussed the ramifications of the system of schools around the state, and he suspected they had representatives of 200 or more districts stop by and talk about the model, a number of them said "this hurts little schools, it is a consolidation bill". About as many say "this does good things for little schools, it is an anti-consolidation bill". He suspected it was how the model effects an individual district as

to whether the person believes it is a consolidation or an anti-consolidation bill. It depends on whether you look at it from a budget side or a tax side, and that makes a substantial difference. He said just in this room today you could probably get a debate as to which it was. From their perspective and the instructions they received, it is probably right where it ought to be and beyond that the decision to sway it one way or the other should be up to the prerogative of the select committee and will be the prerogative of this committee.

Mr. Gillett addressed number 4, on general size categories and do equal numbers of districts have to reduce their spending etc. He said we are always shifting funds from one size category school districts to another. The select committee in it's final version, had us prepare a set of graphs that would basically take the regression line and the minimum and maximum budget lines from the model for all districts and draft them for the elementary districts without junior high, for elementary districts with junior high and for high schools. Those graphs show that for any size category, there are folks who are above the maximum, folks who are below the maximum and folks who are in between. Those graphs are part of the record in the House select committee, they do exist and give a fair picture of just where districts lie in relation to the system. It is an easy way to understand exactly what is happening to whom under the model as it exists.

Mr. Gillett said the last issue is about taxpayer equity issues in this model, how many districts still have a significant tax advantage because of the availability of non-levy revenue to fund the districts budget is a tax policy issue and we were specifically instructed by the subcommittee to deal with the budget side, not the funding side. They felt that was an issue that would be dealt with separately, and he believed the select committee also made that same decision. The bill, as it left the select committee, was state cost neutral and the funding side was left to the activities of the House education committee and for those on the floor of the House. We developed a budget model without consideration of the funding side. It is an issue that does need to be addressed, but it was not a part of our charge.

Chair Blaylock said he would encourage members, if they have questions to ask them, and he would specifically warn the superintendents that are here that he will call on some of them for a short comment, or if they have questions that need to be cleared up, this should be done, because you are the people who will have to be working with anything that comes out of this session.

Senator Waterman said one of the questions she was struggling with was whether to include non-levy revenue or not. She asked Mr. Gillett if he could discuss the advantages and disadvantages of including non-levy revenue. Mr. Gillett said there were two notions they modeled. One was for Rep. Boharski's amendment which the House put in the bill on the floor, the other is Rep.

Kadas's motion which is not yet in the bill and at this point he was not sure it has been offered as an amendment. They have done substantial work on both of those. As far as whether one or both is a good idea, or creates taxpayer equity, there are probably positives and negatives, as in any tax issue, on either one of them and issues that need to be dealt with in either one. The non-levy revenue sources, those that are specific to regions, could be considered to create a tax imbalance. He gave the example if one had banks in your school district and receive a portion of the financial institution's corporate license tax, and another district does not have banks in it, and does not receive that money, that could be considered to be a tax fair issue. On the other hand, the district that does not have banks, may have more motor vehicles, or taxes it receives on oil and gas, whether it creates an imbalance or not, is an issue that is important. He had not been asked to comment as to whether there is an inequity issue and therefore had not done an analysis of it.

Senator Brown said Kathy Fabiano's first comment was that we continue to use the existing schedules rather than those that are modeled in the bill. He asked Mr. Gillett if he had a comment on that. Mr. Gillett said he could only share the conversations they had with the members of the select committee, that the current foundation schedules have a lot of "spooks" in them. They have been in court now for a number of years and he believed the message the select committee was intending to send, what they instructed him, was "let's design fundamental change in the system". He said he could understand the administrative ramifications of this, they are serious, and would agree wholly with Ms. Fabiano, that a lot of effort has gone into it. They wanted to come from the direction of fundamental change. If you change the system enough and it is a fundamental enough change, it at least takes a while for someone to draw a bead on it. He believed that was where the select committee was coming from in saying let's design fundamental change but believed using the current foundation schedules, it is impossible. To remodel that would be a substantial task, and he did not know what the time frame was, but it could be done.

Senator Brown said it seemed to him that OPI makes a valid point when they talk about the limited amount of time they have between now and when the effective date of this must occur, as well as the limited amount of time in the session. Apparently no litigation was focused specifically on those schedules, so we need to know what is doable here, this may be a modification we could make in the next legislative session as well, but he was interested in knowing what Rep. Kadas has to say about this.

Representative Kadas said there is a suit specific to the schedules and that the MREA's. If you do stay with the old schedules, there are some clear problems in the elementary categories 1-4 that have to be dealt with. You have districts of nearly the same size getting very different dollars from the state. Without a doubt there is a problem there. On a larger

perspective, he thought it necessary to go in and redo the whole structure. The structure was set out 45 years ago, it has been changed, bumped and twisted in rational and political ways and you really need to do it with a rational basis behind what you are doing. Different groups may disagree with the basis on which you are doing it, we tried to find a basis, fact it out, and provide that. We provided the rational basis but did not exactly follow it in putting our model together, but it fits pretty close. He did not think it possible to use the old schedules. You can, but you will not be doing us a service by doing so.

Senator Waterman said for over 40 years as we have given percentage increases, the glitches in it have been exacerbated. Percents have varied and skewed it even more. Rep. Kadas said percents have varied, we have put little things in different categories to change things, and the biggest thing is that the technology of providing education has changed. As a consequence the economies of scale has changed and that is what those schedules reflect.

Chair Blaylock asked Ernie Jean if he would like to comment on what has been said so far on keeping the schedules or going to a different basis.

Ernie Jean, School Superintendent, Florence, President of the School Superintendents and the Chairman of the Committee of School Administrators that have been working carefully and closely with this committee, said they share Rep. Kadas's concern that the present model has some problems in. Though they agree with Ms. Fabiano because they are sitting here but at the same time they are wondering how they are going to implement this in their office. He said they share that as far as that model is concerned. We are at a time of great challenge and great uncertainty as to how this will really work and we have consistently said that it has great promise, depending on a "zillion" amendments and things that may impact it as it goes through the process. As it relates to this, we would tend to support the new funding model as it relates to the new delivery model of revenue versus the old.

Senator Stang said one of the big problems has been the implementation of whether we should do it July 1 of this year or wait until '94. He had a number of superintendents in his area say "let's do it now" and a couple that have come in and said "let's wait a year". He asked if his group had a position on this. Mr. Jean said they would like to see it implemented now. That has been their position from the outset.

Mr. Jean said they share a lot of the same questions Ms. Fabiano had, and believe very strongly that capital outlay needs to be addressed and this is a good place to bring it in. We are not sure how SB 32 and 432 could come together. They would look at retirement and transportation as being outside of this model, and could not see it put into the same bill. They have consistently

argued against capping mechanism within tiers. They believe you have the ultimate cap and this is an absolute spending limit with 100% and therefore caps in between seem to be superfluous to that.

Chair Blaylock asked if he would do away with all caps or just some of them and Mr. Jean said they would do away with them all. Their contention is that the local elected officials are pretty responsive to the local folks and will only do what the local folks will let them do, whether capped or not capped. He said there is a cap, it is an 80 and 100% cap. That is an absolute cap and how you move within that is pretty much up to the needs of the local districts. They would first support no caps, but certainly no caps as it relates to below 80%. That should be a given, and if you are going to guarantee that level, then let them get there without capping. He said they also believe special ed needs to be tied in with the bills that are currently there, SB 348, but it should be outside the bill as it currently is, not figured into the inside cap. As it relates to the policy decision as to how you manipulate the statistics, we will react to that as it comes to be in the discussion. They also believe that there should be a freeze for those school districts that are above 100%. They think it is innocuous that it just suggests you will have to scale back a budget that has been built over a system, let's leave that as it is, freeze them at that point and let the system work at that level. They would also oppose any attempt to legislatively establish how districts choose to regulate and move their funds within the funds. In regard to legislative attempts that would establish what the administrative or teaching function should be or what any function should be, should be as a local control issue.

Senator Waterman mentioned the consolidation issues on her bill and said she believed the school administrators had a position that is the direction they should be moving, but that is to be voluntarily. She asked if there was a way we can build an incentive into this bill, or is it wise. Mr. Jean said that they have not specifically looked at that as an organization, but personally he believed it was difficult to build a finance bill that attempts an all together different problem. He said he thought it would do an injustice to both by attempting it.

Senator Brown asked if, before the committee left the subject of the caps, perhaps they could have a proponent of the caps explain why we need caps in the 80 to 100% range.

Representative Simpkins said the primary reason for a cap below 80% is money, because if you let everybody raise to 80%, we could figure out how much it would be, but we don't know how fast it would raise, and that is where your state funding will become more apparent, below the 80%. Rep. Kadas put in an amendment and we were concerned that if you just neutered this bill of all caps, you had taken the voter out of it all together. The amendment he put in will at least put a voted mill levy at 90%



and above. The caps on the 100% schools and the freeze, is just a faster way to equalize. If you just freeze everybody at the top, it slows down the equalization, but possibly not to an extent that would present a major problem. The 104% and the optional voted levy is something that is a policy decision. It is how fast you want to allow the schools to come up, and that is local taxpayer dollars. We have to decide in the Legislature, do we want the local taxpayer to be hit, or have some type of control on it, rather than just a school board. That is a policy decision, and if you take away the caps, there is a policy decision then of the Board of Trustees and they have to respond to the local people. It is how you want to control any type of taxation in the communities.

Senator Brown said he thought it was permissive for the Board to increase spending in the 80 to 100% level by 4% and above that they had to go to a voted levy. He asked if that was correct and Rep. Simpkins said there is just a modification here. Below the 100%, we are authorizing them to rise at 20% per year, then we came across the problem of a school district that was just below the 80%. If we said they could only take 20% of that little difference they get "had" because the other school district just above could take 4%. We built in that 4%, and your choice is to take the 4% or the 20% of the difference. It does give the advantage to that school that is just that close to 80% and they can go above the 80% by using the 104%.

Senator Brown said in looking at the blue sheet, there are some schools in that category. You have not taken the voters out of it completely if you allow them to vote on a larger increase. Rep. Simpkins said we first started out with a voter option, an option of the board to submit it to the voters, and that was to appease certain members who want to vote. When Rep. Kadas's amendment came in at 90% it states to 90% without a local choice, 90% to 100% is a voted levy. At the present time in the bill there is the option between 80% and 90% and a mandatory between 90% and 100%. That is the only place the voters are involved.

Rep. Simpkins said above 100% there is a freeze. Representative Kadas is correct, they can't go above that, but it is a voted levy on anything up to that point. Anything above 100% will have to go to the voter.

Senator Brown said some of us have wondered, within the 100% range and the 80% range, why the need to impose any caps as long as those schools remain in what would be the constitutional range, we shouldn't be too concerned about where they are in there from a policy standpoint. You are looking at how this plays out in Montana with the voters, and that is the basis for that thinking. It is whether you feel the voter should be either in or out of this model.

Rep. Kadas said he had worked on the caps a lot. He went back to '89 and looked at what we did there. We increased permissive

significantly, most schools took full advantage of it and he did not fault them for that. He believed if we increased the permissive up to 90% and the GTB up to 80% you would see some significant movement. The impact it will have on local taxpayers concerned him. He said an increase of taxes was fine, but it should be done in small increments, not in big hits and that is why he supports the caps.

Senator Blaylock asked if he would include those below 80%. Rep. Kadas said he would. We have allowed one major feature of flexibility in this, and if we change the capping mechanism to just 104% of the previous years budget to 104% of the previous years ANB, that provides a great deal of flexibility for a growing district. 4% in these times, which is the rate of inflation we are dealing with, is pretty good, and you can go ahead and use that. If you feel uncomfortable with that, make it 5% or 6%, so it is clear they catch up faster, but opening it up, he was concerned about the effect on most voters.

Senator Waterman said she had asked the Legislative Auditor's office to run the numbers and if we went to 100% it would take \$5.5 million the second year and about \$6 million in the first year if everybody went all the way. She mentioned this might be to 80%.

Senator Stang mentioned that Ms. Fabiano said there had not been any models run on the weighted average GTB, and it was his understanding that the Auditor's office has run quite a few proposals using the weighted averages. Mr. Gillett said yes, at the request of Representative Ellis they did run the system with a weighted GTB system in it versus the current system and have done a number of analysis at the request of different legislators on what the effects of that are. That information is available to this committee if you are interested in seeing it.

Senator Toews said we are talking about non-levy revenue and he understands how that applies to license plates etc. Do you keep tuition in there, or do you have a way of separating tuition out. Mr. Gillett said under the current tuition, he believed, was a non-levy revenue source and is treated like any other non-levy revenue source.

Curt Nichols, Governor's office said he was present to listen, observe and answer any questions the committee might have.

Representative Boharski commented on the caps. He said one thing you want to remember is that as the bill is before you, the new GTB level is 161% of the current GTB level. To the extent that Rep. Kadas suggested when we implemented HB 28 in 1989 and the schools took advantage of it, there is a much greater incentive to take advantage of it at this point in time because you are at 161% of the current level. The motivation that was there before is much greater now.

Chair Blaylock asked Andy Merrill, Legislative Council if there was anything she could add in regard to problems this committee has to solve. She said there are a number of small items, but you are working on the big items now. We are collecting comments that people have been making about technical glitches or improvements and we will probably be getting more of them as you solidify your ideas. The OPI probably has some suggestions for each big choice you make.

Chair Blaylock asked Ms. McClure for a list of policy questions this committee has to solve and she passed them out. (exhibit 4)

Ms. McClure said after the hearing on HB 667, Senator Blaylock had asked her to prepare a list of policy decisions based on 667 as it sits before the committee. These questions are things that came up during the hearing about changes they wanted or did not want, amendment they wanted in or out concerning 667. It is not about putting the foundation schedules back in, it basically deals with 667 as it came over from the House. She commented that these are from her notes and she tried to put as many as she could down. The one comment that is not listed is that these are public policy questions and there was a public policy question about 874 funds; it is not that 874 funds are not important and need no discussion, it is that coming out of the select committee and coming out of the House as well as the hearings, the policy question on 874 was consistent that it be outside the model, set aside and not be jeopardized in any way. If that is not being accomplished, it would be something that is needed to work on as far as the structure, but the policy decision has not changed and that is in. These are not in any particular order of importance, simply questions that were raised and obviously if you make some decisions, it will affect some of the other questions.

Chair Blaylock said if we take up some of these things, there could be some affect on some of the other decisions down the line. Ms. McClure gave the example of #15, weighted GTB, which would affect how you will do GTB, but some things stand alone such as capital outlay in, transportation in, etc. if you want to bring some things in from SB 432 and whether you want the Wanzenried amendment on or off, etc.

Chair Blaylock said he had been spoken to by Tom Biladeau, Montana Education Association (MEA), and they have a big concern. He asked Mr. Biladeau to briefly tell the committee of his concern so we can get the issue into the "mix".

Mr. Biladeau said there has been a handout provided to the committee regarding the various capping mechanisms in HB 667 as presented to you from the House. (exhibit 3) He said the MEA believes the caps are excessive in 667 as it presently exists. He counted a dozen different caps that are available to districts that play out very fortuitously and peculiarly for districts according to where you happen to lie in respect to some magic line. He would direct the committee's attention to the

information at the bottom of the table in the foot notes. This does not show up immediately in the spread sheets as you review them. As they started looking at this, and comparing it to HB 28 and where districts lie in respect to the state assured GTB assist at the 135% cap line, one thing which became clear was that 112 districts currently enrolling about 37,000 Montana students, roughly 25% of the students in the state, are assured a higher level of budget with state supported GTB under HB 28 than they would be under HB 667. Currently, there are a good number of districts, including Billings Elementary (for example), that are assured of state GTB support in a higher level than they would be afforded under HB 667, and that is a concern.

Mr. Biladeau said in respect to the caps, more specifically we talk about districts that would have to be frozen, those that are over the 100% level, and we count those districts up and see they are a relatively small number of districts and students in the state. At some level, we believe that may be a necessary evil we need to deal with and accept. We, as well as everyone in the educational community, do not believe that it is necessary or makes any good sense to force those high spending districts to budget down. As we found out in the first underfunded school litigation, the Colstrip School District is not running a frill district. Those programs are thought to be a quality program we would like for every student in this state to receive. There is no reason, in the name of equity, why we must force them to deconstruct that program. We believe the most we should do is to freeze those high spending districts as they are and have the cost of inflation be the penalty paid by those districts over a period of time. It is too great a burden to also impose the budget reduction on them over time.

Mr. Biladeau said there are a lot of districts that lie within 96% to 100% range, and while not immediately apparent, but very practically felt by those districts, is that they will not even have 4% growth available to them in year one of HB 667. Under the capping mechanism they can only go up to 100% and those 129 districts, would not have 4% growth available to them. He said those figures included those above the 100% level as well. There is a good number of districts, and he believed the Auditor's office or our office could provide the list. There are many districts that will not even have the capacity available to them to meet the cost of inflation in year one. That number just grows in year two, fiscal '95, and they believe that is a serious problem. Additionally they believe there is a value in creating a system of school finance that can be understood by taxpayers, legislators, administrators and school employees. He said they believe it violates that principle when you establish 12 different caps, and to have caps that would apply differently in respect to the same number of growth dollars, 4% for example, according to where you are in respect to the 90% line. The first 2% you pick up would be done permissively, the remaining 2% would have to be put out for a voted levy. They believe it violates the interest of local control and also violates the interest of

those districts in running their school district in the way that makes sense for their educational program needs within their budget.

Chair Blaylock asked what the MEA position on whether they preferred to stay with the old schedules or go with this model in HB 667. Mr. Biladeau said they recognize in the reality of this session that those existing schedules are likely to be devalued. If that is our choice, we would prefer HB 667 rather than the existing schedules. There is still potentially an analysis that could be done and schedules that could be built that would build in GTB support for those scheduled costs which would maintain the same state dollar cost and still use the existing schedules. He said that could be done, it has not been done and we support HB 667 as it appears before you today.

CAPS: Those above 100%

Senator Blaylock said because there are so many questions, he did not believe it would be wise to say we want all the caps or we do not want any caps. This is one of the things that has been spoken about the most and said he would open discussion on the first one, those caps above 100%. The question is do we freeze them or try to bring them back down to the 100% level.

Senator Waterman said she believed they should be frozen. They are going to have to eat inflation as is, and it has always been a position of those who have been involved in school funding suits that they did not want to equalize downward. She did not believe anyone wanted to damage the quality of education, and did not believe there was any evidence to show that districts are spending money frivolously. She believed those districts that are high spending districts are providing an excellent education, it should be what we are striving for and we should not penalize them. She said she would advocate they be frozen.

Senator Stang said he would echo what Senator Waterman said.

Senator Toews agreed we need to freeze them. She did not think it would hurt the schools particularly and felt the right thing would be to put a freeze on.

Senator Hertel said he agreed that freezing is the logical thing to do. He did not quite agree with Senator Toews, he believed it could definitely hurt the system to force them down. He had visited with a few people who said it would have a big impact on their school systems if they were forced down. He realized it would make a longer process out of it to freeze them, it would be much quicker to get them into line to lower them, but felt lowering them would be a drastic move. He thought it would be easier and a lot more equitable to freeze them.

Senator Brown said over the course of several years, if you did freeze the ones above the 100% level, in 4, 5 or 6 years, most of

them would be back down to that level or near that level because the others would be able to move up. He did not know where this leaves us from the standpoint of the law suit. He did not know if they would be considered atypical anomaly speaking and that we would not have to consider it statistically, or whether they would be important. He thought perhaps Mr. Melby had a comment on it.

Pat Melby said he had stated on the hearing Wednesday that it has never been their position to equalize downward. Their roles have been to provide for equalization, per-pupil spending and taxpayer equity as well as providing quality education. They have always taken a position on bills before this legislature that they did not want to require those high spending school districts to reduce their budgets. Their feeling is if they can get a bill crafted in the Legislature that truly equalizes, it doesn't have to equalize tomorrow or in 3 to 5 years, but if it equalizes in a reasonable period of time, say under 10 years, that would be satisfactory. If a bill comes out of this Legislature that doesn't equalize, it would be a travesty to require those higher districts to spend down. It is their position that they should not require those districts to spend down. He believed if there is a bill that goes before the Court and the Court can see that over a reasonable time there will be equalization, the Court will not strike that legislation down as unconstitutional simply because there are a few school districts that are frozen above that 100% level.

**Motion/Vote:** Senator Stang moved that the answer to question # 3, exhibit 4 would be YES, that we freeze the schools above 100% and not require them to spend down. The motion CARRIED unanimously with Senator Van Valkenburg absent.

**Those between 80% and 100%**

Chair Blaylock said we should keep in mind that those that are close will not be able to use the 104%, only a 2% if they hit the 100%. There are also those concerns that we should keep them there. The question is whether we should retain caps within that 80% to 100% or take those caps off.

Senator Stang said the bill, as written, has the caps between 80 and 100%, the Kadas amendment that has no caps between 80 and 90% but has caps between 90 and 100% are not on the bill, so we have two options here. We can cap everything between 80 and 100% or we could look at the 80 to 90% being uncapped and the 90 to 100% being capped. He asked if that was correct.

Tom Biladeau said between 80 and 100% districts will grow by 4% a year under the bill. That growth is by permissive vote of the Board up to 90% unless the Board elects to allow the voters to vote it. You have a 4% maximum growth entirely permissive, up to 90% if the Board chooses it to be permissive but they can elect to make it voted. From 90% to 100% you have a 4% growth allowed,

it must be voted.

Senator Hertel asked why would they, up to 90%, even consider anything but permissive. Why would they want that to be a vote of the public. Mr. Biladeau said this has arisen in only one community he was specifically aware of and the logic of it had escaped him. A worst case scenario which is actually played out under HB 28. You have districts that have had levies go out and fail. That not only hurts them in that immediate year, but because of the capping mechanism based on the budget of the prior year, it hurts them permanently in future years. He said Senator Gage had a good bill earlier to allow the recovery of some of that loss. This bill, as it stands now, would perpetuate that problem.

Senator Brown said as he understood it, the logic of this is that the 4% is basically designed to reflect the cost of living. We can say that the Board, within this range of 80% to 100% where we want all the schools eventually to be, can just compensate for the effect of inflation with the cost of living, to generally define that as a 4% increase, without having to go to the vote of the people. They can maintain their level of education and if they want to go beyond that, they should have to go to the vote of the people to get the money. That apparently was the beginning philosophy of this idea before we got into the theory that the Board may want to get off the hook and defer the matter to the people, or when we drew another line in the 90% range which he did not quite understand.

Mr. Biladeau said he did want to make clear to the committee that the bill, as it presently stands, does not allow that authority of the district to grow by more than 4%. That 4% growth is hard and absolute, the question is whether or not you can get to 4% entirely by permissive vote of the Board, or if by choice of the Board also submit some of that 4% growth to the vote to the local voter. The other question is if you would somehow cross that 90% line, then by mandate, expect that some portion of that 4% growth be subjected to vote. It has no fiscal impact to the state since it has no GTB assistance above 80%.

Mr. Gillett said within this 80 to 100% range, one of them is in question #6, that the 104% caps, either per ANB or in total, between 80 and 100%. The other issue is the amendment Rep. Kadas put in on the floor of the House which would be voting any amount of your budget over the 90% level. That vote does not come in during the first year, FY '93-'94, but in FY '94-'95. That probably is the second issue. An additional issue when you get to vote, is voting whatever portion of the budget is above the 100% level. The final issue is the optional vote in the 80 to 100% range. Each of those came in at a different point in the process, so there are probably four issues that might be easier to deal with separately than trying to throw them all into one issue.

Chair Blaylock asked if it would meet with the committee approval, that the first decision would be, should we leave those caps between the 80 and 100% range just as they are now, or get in and do some changing. He asked the committee for their opinion on this.

Senator Toews said the 4% was a good thing, because in his perspective, many of the schools and districts are not being run by the Board, but rather by Superintendents. He has also sat behind the 4% curve where you keep doing this 104%, even though you don't need the money, just so you don't get behind the curve. He believed he would be for taking the caps off between 80 and 90% if he could get the protection in for the vote of the people on the last 10%. He is for taking the caps off. Chair Blaylock summed this up as wanting to go in and change it, Senator Toews agreed.

Senator Waterman said she had a question within the context of this which was how does current level play into this. Is there a way you have to vote above your current level but could remain at your current level, if you are in that 90 to 100% range without going to a vote. Mr. Gillett said that is not in the bill now. If you are at 95% and your desire is to stay at 95% in the ensuing year, under the provisions of the bill as they exist today, you would need to vote the amount between 90 and 95%. If in the following year you wanted to remain at that same level, you would have to vote that level again.

Senator Waterman said at some point, as we decide these issues, we need to talk about what that does, or the implications of that this first year, where people may have already voted levies. Will they then have to go back and vote again, or will they stay at current level. Mr. Gillett said under the bill, as it exists today, there would be no mandatory votes for any budget level in the first year. There would still be the optional vote between 80 and 100% if the trustees so chose. Rep. Kadas's amendment goes in the second year.

Representative Kadas said he did want to make the point Mr. Gillett just made. You should understand you have a 5th policy decision that, under the bill as it is now, you can go to 104% of where you are now, without any vote the first year. Wherever you are, you go by permissive levy. Even if you are above, if you are at 120% you can go there on permissive for the one year.

Senator Stang said he could see the problem a lot of school districts have. He did not have a problem with caps and could go either way, but he believed the point we need to focus on is that if you require them to do a voted levy, the districts have to go back to step 1 to vote the levy. He did not believe the people understand that when they vote on it. They always think they are voting on an increase over and above where they are now, and people tend to vote no. If we are going to fix this so they have to vote over the 90%, which he agreed with because it makes the



people get involved in the process, he would like to see this amended so that they don't have to go back and redo what they got the year before. They would not have to vote what they have, but would have to vote any increase above what they have.

Chair Blaylock said before we do that, let's go ahead and see if the committee wants to make changes between the 80 and 100% range. He asked if there was any objection to saying we are going to go in between the 80 and 100% and do some changing. That decision was agreeable to the committee.

Senator Waterman said she would like to remove the optional vote between 80 and 90% and make it permissive.

Senator Brown agreed and believed it was putting the school board in an awkward position when you have one group of people come to the Board meeting and demand a vote and others saying just do it yourselves. He believed it should be clear, one way or the other. It should be clear in the law whether those in the 80 to 90% range have the permissive authority to do it or whether they have to go to a vote.

Senator Waterman said she would advocate that it be permissive at least between the 80 and 90% range. She said the list gives the range between 80 and 100% and she would like to split that.

**Motion/Vote:** Senator Waterman moved that we eliminate the optional between the 80 and 90% and that be a permissive levy. The motion CARRIED unanimously with Senator Van Valkenburg absent.

Senator Stang said he would like to propose something between the 90 and 100% which might solve some of the mechanics. If you allow a school to go within 104% of their previous year's budget between the 90 and 100% by permissive levy, they automatically get the 4% increase. If they are at 92% they can permissively go to 96% without a vote of the people. If they want to go to 100% they have to vote the 4% difference. That puts the 4% cap on them but it makes it easier logistically than the way we discussed this before. That way they do have the permissive vote up to a cap level of inflation that we are assuming 4% and anything they want above that would have to be voted.

Tom Biladeau said this would be another compromise, one that gets us away from the down side of establishing this 90% number. Basically you would allow districts, by permissive vote, to assume the rate of inflation, 4%. You would allow them to grow 4% over their prior year's budget or 4% of the prior year's budget for ANB. In Senator Stang's example, if you have a district that is at 88% they could only go 2% by permissive and then would have to levy the additional 2%. What is being proposed as a compromise, is that all districts, irrespective of where they are between 80 and 100% can grow by 4%. If they wish to grow beyond that, they must submit it to the vote of the

people. They could go up to 100%, only 4% by permissive levy and the remaining 16% would have to be by vote of the people. This would allow districts to maintain an inflation adjusted permissive budget in support of their program and still allow school taxpayers to vote on anything more.

Senator Waterman said with the last motion we said if your district is at 76% you can go to the 90% by permissive levy. If that same district at 76% wants to go to 100%, they would then have to vote between the 90 and 100%. Mr. Biladeau said that was not correct and Chair Blaylock asked him to run through that starting with the 88% again. Mr. Biladeau asked if Mr. Melby could answer the question since he might have missed the point Senator Waterman was trying to make.

Mr. Melby said with the vote the committee made a few minutes ago, it is now permissive to 90%. With what Senator Stang is proposing, above 90% a school district could go to 104% of their last year's budget with an additional permissive levy. If they were already at 90%, they could go to 94% with permissive levy and above that it would have to be a vote of the taxpayers.

Senator Stang said the other example would be that if you were at 88% and you want to go to the 104%, you could go to 92% permissively, but if you wanted to go to 94% you would have to vote the next 2%. Mr. Melby said that was correct. Senator Stang said that would work for the schools that were right below the magic line and would give them their 4% inflation factor without having to go to the vote of the people.

Senator Waterman asked Mr. Melby if you were at 80% and you are going to go to the 90% permissively, then if you wanted to go up to 94% or so, you would have to vote that 4% and Mr. Melby said yes.

Chair Blaylock asked Mr. Melby if he correctly understood him as saying in using the 80% he was suggesting you could go permissively from the 80% to the 90% in one year. Senator Waterman said yes, and then you could go above that if you wanted, but would have to vote that. If you start at 80% we allow them to go to 90% permissively and if that district in one year wanted to go to 100% they could do it, but they would have to vote whatever they do beyond 90% because it is more than 104% of their last years budget.

Mr. Melby said if you have two school districts that are the same size, one has a wonderful program at 100% and the other is at 80%, and the one at 80%, the trustees, taxpayers and voters want to do the same program as in the other school district, they could do it only by permissive to 90 and then submit the 90 to 100% to the voters.

Senator Brown asked if they would go by permissive from 80 to 90% in one jump and was told that was what we just did in the

previous amendment. Senator Brown said he did not understand it that way, he understood we would let them get there in 4% increments. He said it made sense to him to allow the trustees to keep pace with the cost of living without having to go to the vote of the people within the 80 to 100% range. Anything beyond that should be voted on.

Mr. Melby said if that was the desire of the committee he would propose this vote above 90% be eliminated and you simply say that any school district between 80 and 100% can go to 104% of last year's budget. It is the 104% that does not make any sense. Why prevent a school district from improving their programs.

Senator Brown, said if it is locally voted and does not cost us any GTB money over the 80% why should we care if they want to do it, within the 80 to 100% range. He did not believe the school board should be allowed to permissively raise the level of spending from 80% to 90% in one jump. The only rationale for allowing the school board to raise people's taxes would be to maintain the program, just the cost of living without a vote of the people. If he just voted to do other than that, he would want to reconsider the motion.

Representative Boharski said what Senator Brown is suggesting right now is a drastic simplification of the process. He is basically saying you take 104% of your previous year's budget or the ANB budget, permissively. Other than that you would vote everything in the range and you would not have to worry about people skipping over the lines between 70-80 and 80-90. For simplification purposes that proposal is much simpler than the way the bill is crafted right now.

Senator Stang said that would be the way the bill was crafted before the Kadas amendment went on that dealt with it over 90%, except for the fact there was an optional deal there with the permissive and voted and we want it to all be permissive.

Representative Boharski said not exactly because the way the bill is, even with a vote, you cannot go beyond the 4% the way the bill is crafted. Senator Brown is suggesting you allow the vote to go beyond the 4%.

Senator Toews said if you have an elected group of people and it is not costing the state any money, he did not see why we should not let them move within that 20% frame. The other problem is that we have this idea they will automatically have this 4% growth feature and our schools must spend more each year. In some of the those he has worked with they have come in with efficiencies, maintained a decent program and were able to cut back substantially. That is where the caps would always get us in trouble, because we could never get the money back for the people with that 104% cap on it. He did like blocking this off in two segments, let them work with the permissive that would give the school board some room and yet holding the top to be

somewhat responsible to the public saying they are involved, you will vote. If they get behind because of some circumstances, they will not be caught behind the curve, they can come back two years later and get back to speed.

Senator Brown asked if he was drawing the line between the 90% level when you say two different increments you will involve the voters in the second half. Senator Toews said 90% of this 100% will run a school system. It may not be as what you want, but by losing a school election, your system will not die.

Senator Stang said he was somewhat inclined to agree with Senator Toews. If you are at the 80% level and one year for some reason, you use some of your Bonneville Power money in your budget and are at the 89% level, or decide not to spend it and go back to 82%. All of a sudden you realize you should have stayed at the 89% level because you are having trouble. If you leave the 4% caps on you can only go back to 86%. This would give them the ability anywhere between 80 and 90% to run the school at whatever percentage they think they can. If they want to run it over 90% or over the 4% with the vote of the people, it gives them a little more flexibility. With the 4% caps below that, we have always forced the school district to say we have to go to the caps because if we don't and run into trouble next year, we can't catch up.

Senator Brown said your assumption is that the local voters would not want the district to catch up. The Board can still permissively levy a 4% increase, but if they wanted to catch up faster, and thought they could get an additional 3% or 4%, that part would have to be voted on. He believed Rep. Simpkins made a point when he talked about not wanting to get into any big trouble with the voters. If you go much beyond what is some reasonable cost of living increase, and allow the Board to do it permissively, you will have real problems with the people in the school district.

Senator Stang said it does that above 90% with his amendment and the smaller school districts, sometimes the relevant factor is not what the education of the kids is, but it is whether the coach did the right thing at the basketball tournament or the superintendent has made somebody's mother mad. In a small town you can lobby against a mill levy and the vote is small enough to often make it work.

Senator Van Valkenburg came in and Chair Blaylock brought him up to date on committee action to this point.

Senator Van Valkenburg asked, when you decided to use the HB 667 model, you mean not only use the bill but also use the mathematical formula for per pupil funding as opposed to using something more akin to our basic schedules. Chair Blaylock said we have not made that decision yet.

Senator Brown said we are looking at the area between 80% and 100% and trying to determine how we would cap it, if we would cap it, and if so, how we would do so. The assumption is that the 4% growth rate is roughly commensurate with inflation so you might allow the school board to levy up to 4% without going to the vote of the people. When you get across the 90% threshold, then maybe we ought to allow the people to vote. It does not cost the state GTB money in that area and it would be a local call if they wanted to increase their taxes.

Senator Brown said he did not understand that the vote taken was a clear vote between the 80 and 90% level. He thought we were allowing the Board to impose 4% increases up to the 90% level without a vote of the people. He did not understand we were going to allow the Board to jump from 80% to 90% in one jump without the vote of the people. He said his view beyond that is much the same as he understood Tom Biladeau. If they were at 80% and jacked it up to 85% and placed a measure before the people to go to 100%, if the people voted for this additional 16% on themselves, he would have no problem with that. He said he was not sure what bells go off when you cross the 90% threshold. He could not see the importance of the 90% level.

Senator Hertel said if we retain the 90% level and can use permissive action going up to the 90% level, won't we have all the schools at the 90% level the first year. Isn't everybody going to attempt to get to that 90% level.

Senator Val Valkenburg said we have the experience of knowing that doesn't happen in HB 28.

Senator Hertel asked what would stop it. Senator Toews said there are conservative Boards and they are the ones that tend to stay down and are there because they want to be.

Senator Blaylock said he believed what Senator Toews said is correct. There are some school districts in the state, one he knew of in the western part of the state for 20 years never voted a special levy. They turned down every one of them.

Senator Waterman said because she sensed there was some confusion on her motion between the 80 and 90%. She asked if they could make it in a little smaller step, eliminate the optional, but discuss the cap again.

**Motion/Vote:** Motion by Senator Waterman to reconsider her motion on caps. Motion CARRIED unanimously.

**Motion:** Senator Waterman moved that it not be optional or permissive between 80 and 90%, that it simply be "permissive" between 80 and 90%.

**Discussion:** Senator Waterman said we could talk later about how much could be permissive, but the optional will be eliminated

between 80 and 90.

Senator Brown said he would agree with this amendment, and thought that was what he voted for before. He filled Senator Van Valkenburg in by saying there was an amendment placed on the bill that would give the school board the option of whether to vote or not to vote on the little 4% increments. It was his thinking that you put the school board in a tough position when you do that. He believed it should be made clear in the law that they can levy up to 4% if they choose and anything beyond that has to be voted on.

Senator Waterman said her motion is that whatever it is, ultimately we decide whether we stay with the 4% cap or whether we take it off. If it comes in the 80 to 90% range, whatever decision this group reaches on how much you can go up in that range, it will be permissive.

Vote: Motion CARRIED, Senator Brown voted no.

Chair Blaylock asked if we want to continue and say in that range they could only go 4% in any one year permissively or in any other range.

Senator Brown said the logic of the 90% escaped him and Senator Waterman said having served on a school board, she shared Senator Toews concern. That almost becomes a floor and you have to go the 4% and it becomes a target and you just do it. She said she knew some school districts do that and wouldn't if the 4% isn't there. Chair Blaylock agreed that this happens, and there is a pressure on the school board. They believe they have to go the full 4% when they really are not sure they should do so that year.

Representative Boharski said there is an issue in this range that hasn't been brought up. If you allow a district to go beyond 4% in the 80 to 90% range and don't allow the district to go beyond 4% below the 80 range, it is not very fair to the person who is below 80% but you can't release the person below 80% if you are going to worry about the dollars. You might want to keep that in mind when you make a motion to let them go beyond 4% between 80 and 90.

Dori Nielson, OPI said she would like to enforce what Senator Stang has said, that there are a lot of small districts in the state, some with two teachers or three teachers. If one year they have three very experienced teachers turn over and hire three very green teachers who are paid a considerable amount less, a tremendous amount of their budget was in those salaries. You will put them in a position of saying if we don't go the 4% we will lose it in the future and as the salaries go up, the budget expenses go up. In some instances you have almost made them budget that money into their schedules.

Senator Stang said Representative Boharski had brought up a good point, and perhaps before we consider what we do between 80 and 100% we better figure out what we are going to do with the schools below 80%. Are we going to cap those schools to the 80% level, if so then do we cap them between 80 and 100% and if we do will we have an inequity in the system. If we do not cap those below 80% this is a pertinent discussion, if we do cap them this could be moot.

Chair Blaylock asked Mr. Gillett if he had run any numbers on those below 80%. He asked if we "turned it loose at the bottom, what would it do. Mr. Gillett said Senator Waterman has the numbers.

Senator Waterman said in '94 you go from approximately \$368 million to \$374 million which would be \$6 million if everybody went all the way. It would be \$5.5 million in '95. She said she agreed with Senator Toews that everybody would not go all the way and the financial impact would not be that great. It was difficult for her, having agreed to freeze the high spenders and not force them down to say at the other end that they can't come up. If we are ever going to reach equity you have to let those low spenders come up. For sure, she would not limit them to the limit that is now in the bill, it has to be faster than that. She would advocate they leave it to the local control and let the trustees decide it below 80%.

Senator Stang asked what the lowest percentage school is at and how many schools are there below that. Chair Blaylock asked if everyone had the blue copy and it was handed out. (exhibit 5)

Mr. Gillett said the lowest school that will be found there is probably in the mid 50's.

Chair Blaylock asked if these were small schools and Mr. Gillett said there were probably some schools that are in the 100 to 150 ANB role, which was his recollection.

Chair Blaylock asked Ms. Fabiano if she had any thing on this and she said she did not have on this model, but could tell him that not all districts are at the 135 limit currently. They have a few school districts that don't even spend the foundation program.

Al McMillan, Superintendent at Townsend and a member of the select committee that has been monitoring this presented one more perspective on the cap below 80. Townsend is about 750 students but they have heard a lot of discussion about prudently spending budgets and Boards being aware of their constituency. Townsend has only used the amount of the permissive over the last three or four years that they felt necessary. They do not want this bill to come into place and be punished for that. They too, could have gone to 135% and would be sitting better now. They believe the schools below 80% need to have the right to be at the minimum

for equity as soon as they can and he realized the restraints of money. Townsend would not jump immediately, but would take from that area the amount they needed for the projects they believe are important in their district as they have done with the 135%. We are one of those schools that would be better off with the 135% under HB 28 with a 5% hit. If the school board had the local control latitude to go up to that 80% as much as they need, we would be fine, but believe you should consider giving that latitude to the local boards below 80%.

Chair Blaylock told Mr. Tognetti that he was from one of the areas where there had been a great deal of reluctance on special levies in some of the schools and asked him how he felt about those schools that are below the 80%.

Tony Tognetti, Stevensville Schools, said they are below in both the high school and the elementary and would echo Mr. McMillan's sentiments, that he feels their boards have been responsible. Everybody does what they think is best for their community, but as a result of doing that we have been locked in this cycle of not being able to catch up. He felt 80% should be absolutely allowed in terms of allowing the schools that are below. The local control boards are responsible, if you are in the Bitterroot Valley and not responsible, you will not be on the Board.

Senator Waterman asked if she was right in the assumption that there would be Boards that would not just jump to the 80% level. She asked if, being one of the districts below, and they take the caps off below 80%, if he saw everybody going to 80% the first year. Mr. Tognetti said he did not see everybody going there, but did see a number of them doing so. He said his district is suffering as a result of where they are at now and we need to be at least to 80%. He said he has growth that is taking place. We have 230 junior high kids in a 175 unit school. Things are going crazy and we are trying to add a metal building to try to house these things out of our general fund. They have tried to stay up with growth because bonding has not been adequate. They can bond for \$3.4 million, we are in need of a new high school and cannot go anywhere because \$3.4 million will hardly buy the metal shed we are looking at to put students in. Our elementary is at 75.08 and our high school is at 71.71 and he did not think it unreasonable to go the 8% on the one and 5% on the other to help. They are in need of more staff members, their classes are over crowded and they can't do anything, but the kids are there and we have to serve them next fall.

Senator Stang asked, if we remove the caps up to the 80% level, is there anything in the bill that forces the schools to get to 80%. Senator Waterman said yes, she wanted to keep that in the bill. Senator Stang said if it forces them to get to 80%, why wouldn't they do it in the first couple of years. The question is, if we put the caps in, are we prolonging inequity or not getting to equity as fast as we should be whether it costs the



state \$12 million or not, will we ever get to equity. He said we are not equal now and the reason we are not is because we are worrying about the spending. This bill gives some control over how much school districts spend state wide and if we force them to the 80% level does it mean they have to do it the first year, or is there a set time in the bill. He was told 5 years.

Chair Blaylock said as he understands it, and this is where the money starts to come in on these decisions, \$40 million has been cut out of the Foundation Program by House action. We are talking about taking the caps off below 80% and that will cost more money but we should be aware as a subcommittee that we will have to do something. We will either have to have more tax money or take the non-levy revenue from all over the state, bring it up here and redistribute it.

Senator Van Valkenburg said the Senate has done something in that regard. We passed SB 436 which puts \$30 million into the school equalization account in the coming biennium on an ongoing basis. That is where the Senate ought to be, of saying is money available, yes it is, and if we are going to work on this bill, we should be making that presumption.

**Motion:** Senator Waterman moved we remove the caps below 80% so that districts can go to 80% as quickly as they wish, but that we leave in the mandatory language that forces them over the period of 5 years to reach 80%.

**Discussion:** Senator Waterman said they have to reach 80% in 5 years, but can reach 80% faster if the Board wishes, through a permissive levy to do so.

Senator Brown said if we require them to get up to the 80% level within 5 years and give the Board the permissive authority within 4% increments, how does it work now. If you allow the school board to just permissively jump them up there in one jump, you are putting a strain on the budget from the standpoint of the GTB and you invite a lot of hostility on the part of the taxpayers in these school districts. There is a kind of time honored tradition in this state that if your taxes go up significantly, you ought to have a chance to vote on them. In most cases the school boards probably would not take that jump, but you do invite trouble when you place them in that position. He said if that motion could be amended to use some step by step process making it permissible to let the school board get them up to the 80% level and then if the voters in the district wanted to vote on the issue it would be okay but he was not sure about the whole thing from the standpoint of the budget.

Senator Waterman said that is what the whole law suit is about. In those districts, often times they have such low property wealth and their voters simply do not have the ability to vote themselves those taxes. We just said if you are high spending, we will let you stay there. She believed there has to be

something in this for the low spending districts.

Senator Toews said he is for taking the caps off below the 80% level. In response to Senator Brown's objection that if you are going to raise the taxes substantially, the voters should be able to vote on it. If we pass this bill, with or without adding revenue to it, we are going to many districts and raising the mill levy substantially and will see no gain. There are many school districts in his area that will pay substantially more and see nothing more for it. He thought it would eventually break down the ability to vote on every tax increase.

Senator Van Valkenburg said in terms of restating this, it would be possible for a Board to get to the 80% level immediately by virtue of a permissive levy assuming that local levies are the way you do this, or in the alternative, the state would force them to go to the 80% level within 5 years. He was told that was correct.

Representative Kadas said there was one other complicating factor which he believed was taken care of in the bill. If your district was at 77%, you don't want to limit them to go to just 80%. You would want to say they can go the minimum of 80% or 104% since you don't want to put that district in a box where they can only grow 3%. He said they had it in originally, but in changing it you probably want to make it clear that it stays consistent to the original that if they are close to the 80% the cap that affects them is the 104% not the 80%, whichever is the greater.

**Motion amended:** Senator Waterman said that language would be included in her amendment.

Representative Boharski said that Rep. Kadas made a good point and you will now have to decide what you are going to do between the 80 and 90%. If this motion passes, he could not see any other way than to repeal all the caps.

**Vote:** Motion passed, Senator Brown voted no.

Chair Blaylock said the question now is do we want to make it a permissive area between 80 and 90%, a permissive area with a cap, or a permissive area with a vote.

Senator Toews said he did not want a cap. He would rather hold the whole thing low and run it without caps and if people need more money for their special athletic funds or whatever they can vote it, he did not want to run with a bunch of caps.

Senator Stang said you are talking between 80 and 90% or 80 and 100% and Senator Toews said between 80 and 100%.

Senator Stang said he would agree with Senator Toews up to a point, then he goes back to the point where you need the public

involved in the vote somewhere along the line. He would support the concept that we make it permissive with no caps between 80 and 90% and allow them to do that. When we get over the 90% level we can discuss whether that should be a voted, permissive and voted or the whole thing voted. He believed schools would not automatically go from 60% to 80% permissively because the school board is responsible, then they probably will not go to 90%. He believed school board members would catch a lot of heat if they did, because if they raise taxes substantially on some of these people they would have trouble, and yet it gives the flexibility needed in the case Ms. Nielson mentioned in regard to experienced teachers and inexperienced teachers. He would support a motion that went to the 80-90% level, but believed there needs to be some voter involvement in the whole process.

Senator Brown asked what the significance of the 90% thing is. The 80% is where we become constitutional and he understood what the 100% is, but did not understand the 90%.

Representative Kadas said the 90% was chosen because it was half way between. He was tempted to require a vote on everything above 80% but knew that would not pass in the committee he was in, and split the difference.

Senator Brown asked what the rationale for requiring everything above 80% was. Rep. Kadas said at the present time if you look at most districts, it varies. Most districts that are above 85% are requiring voted levies now and he said if you eliminate those voted levies all of a sudden, people who have been voting on levies and suddenly are not people may be rather upset. Senator Brown said that was his concern also.

Representative Kadas said he would throw out one other idea he had. Senator Stang brought up the idea of using the previous year's budget as the permissive levy. Then it sort of got molded into using 104% of the previous year's budget so if you were at 95% you would not have to vote to get to 95%, you could just go there on permissive. There is some appeal to using the previous year's budget as the permissive and then allowing a voted for 104%. He said that made sense to him.

Senator Brown said he believed if you allow school boards to permissively levy mills on people's property when they have been accustomed to voting on these things, you are asking for trouble.

Senator Van Valkenburg said you may be asking for trouble, but we have had trouble and it is called law suits and we want to get out of these law suits. Senator Brown said if you are between 80 and 100, you are in the range where you shouldn't have any trouble with the law suits. Then it is just a question of what you allow the school board to do. He sort of liked the logic of allowing them to maintain their existing program, which the 4% lets them do and then over and above that, you ask the people for a vote. That could get us in trouble anyway, but at least there

is a rationale for that, you can say this is approximately the cost of living increase.

Senator Hertel said he believed we have to continue with some local control, some local decisions. He leaned toward Senator Brown's logic in this.

**Motion:** Senator Stang moved that the permissive levy will be between 80% and 100% be up to 104% of their current year's budget and anything over that 104% of their current year's budget between the 80% and the 90%, that they want, would have to be a voted levy.

**Discussion:** Senator Stang said with this, if a school is at 82%, they don't have to vote the 4% inflation factor, but if they want to go to 90% they will have to vote everything above 86%. This automatically gives them their current budget, gives them a 4% inflation factor without a vote, but if they want to go any higher than that, they have to go to the voters.

Senator Toews said you just went back and put a cap on me and forced me to spend more money.

Senator Brown said he thought he liked this motion, but would like to hear from Senator Toews again as to why he doesn't.

Senator Toews said you let us go to 104% of the previous year's budget. Therefore, if I ever want to do something good for my taxpayers, say a windfall of some sort, he could never go back to 80% because if he went back and wanted to go to the higher percent again, he could not do so without a vote.

Chair Blaylock asked if he wanted no caps, no vote. Senator Toews said he wanted a cap on the top and a vote every year on the top.

Senator Waterman asked if we could roll in the concept that is in Senator Gage's bill into this bill.

**Clarification of Senator Stang's Motion:** Senator Stang said he would like to clarify the motion so that it was either the previous year's budget, or the way it is written in the bill it has something to do with per pupil expenditures or ANB, so if there is a growing district and some district has 50 new kids, that it is the greater of the two. That way if you have a growing district they are not limited to their previous year's budget. It is the same way the bill is written now, but wanted to make sure it is understood as a part of his motion.

Chair Blaylock said it does make a difference in how you state these things, it can make a large change in a school district's budget.

Senator Waterman said she was still struggling with it. She did

understand what Senator Toews is saying and she was afraid districts would feel compelled to spend 4% a year, when they might not necessarily do so. She asked if she could ask if there were comments from someone on that.

Dan Nelson, Superintendent of Broadview, said he felt there was a misunderstanding that we always spend our budget. We don't always spend it. Presently there are many school districts that take their 4% automatically, but may spend less than they spent the year before and the taxpayer does get a break. That money is there to reappropriate the next year and the taxpayer gets his money back. It is good conscientious behavior and would assume that would continue.

Chair Blaylock asked him if he was saying he did not mind the caps. Mr. Nelson said he was only speaking to Senator Toews resistance to the 4%. He did not think it was as big a problem as it seemed to be.

Senator Hertel asked how the 104% would affect him. If you are getting some back, it would not affect you if it was still in effect. Mr. Nelson said he was not sure he understood the whole scenario. Senator Hertel said he was speaking of the 104% of the previous year and asked what would happen with the concept of your budget. Mr. Nelson repeated what he had said, adding they only spend what they need to run the school. He realized there are some school districts that spend to the last dollar, but did not believe that was the majority. You would take your 104%, if you did not spend the 4% you would have it for the next year's budget and it would save the taxpayers.

Senator Stang said to make it clear, if you had cash reappropriated that year and the next year you went to your 4% caps again, you don't need to levy as many permissive levies to reach your 4% because you have used the cash reappropriated to reduce the next year's levy.

Phil Campbell said one of the things that occurs to him under Senator Toews concerns, is that under the current system he is right, he would be penalized if he didn't stay up because he could never make it up. Under this bill, you could make it up, you just have to vote it beyond the 4%.

Senator Waterman said to clarify this, you can go to the 4% or the 4% above ANB permissively but then have to vote, and we are talking about between 80 and 100%. She was told that was right.

**Vote:** The motion CARRIED unanimously.

**Wanzenried Amendment:**

Senator Blaylock said this amendment currently limits all school administrative expenses to 95% of a 2 year average.

Senator Waterman said for clarification, this sunsets in 2 years.

Senator Stang asked if anybody had information as to what percentage administrative costs are of current school budgets and what are considered administrative expenses. He had heard from people from the teacher's cloak room to basket ball and asked if it could be narrowed down to what the administrative expenses are so we know what we will cut these districts.

Kathy Fabiano said presently, the Wanzenried amendment addresses three administrative areas. 1) The superintendents office and his/her staff, 2) The business office and staff involved and 3) Support Services. The Wanzenried amendment is specific to three function codes.

Senator Stang asked what was to prevent some of these administrators from moving some of these expenses out of those codes and into another area. Senator Van Valkenburg said GAP (General Accounting Principles). He believed that was what GAP was all about.

Ms. Fabiano said we define those codes in a policy manual that is distributed to all school districts and they are required by law to do their accounting in accordance with GAP and the school finance manual just referred to.

Senator Stang asked what the average statewide percentage of administrative expenses are and if 5% is a ball park figure or what would it be.

Dennis Craft, High School Superintendent, said the percentages will vary substantially by the size of the school. The larger school, the closer they could come to below 4%. We don't have any trouble with this bill other than concerns he might express to you from the committee. As you move into smaller units, you are still required by the accreditation standards to have certain administrative functions. Those functions will be a greater percentage of a per pupil cost than it would be as your numbers get larger. He said the concern he would ask the committee is, what particularly is the purpose because there are many functions in the superintendents office which includes the Board of Education, the business office and support services which are all related to instruction.

Mr. Craft said he would ask the committee to consider what specific you are after, and he believed the answer was that superintendent's salaries are too high. If you look at that across the nation, we are not competitive in Montana. If you would take the percentages of superintendent's salaries, and assistant superintendent salaries and run that against the total budget, you are not approaching more than 1.5% of the total budget. When you consider the costs in the superintendent's functions, part of that is an auditor's cost to audit the books that is covered by Legislative statute and asked if they really

wanted that cut by 5%. A number of those costs are set for different functions. Postage for the district is in the costs. He said it would probably be possible to take postage expense and put it under instruction, but it does not make sense to do so since it can be tracked so much easier in the appropriate accounts. Their question would be what specifically are you looking at. He pointed out that this should be the prerogative of the district and there is a great variety between size of district and the particular function in those particular areas. They are driven by a number of Legislative and Board of Education approaches.

Senator Blaylock asked if the dues paid by the different school boards to the Montana School Board Association counted as administrative expense and was told yes.

Senator Waterman said her feeling of why the Wanzenried amendment is there has nothing really to do about all these costs. It is public perception that administrators are over paid, that we have too much bureaucracy, the Governor ran on the statement that only 57 cents of every dollar goes to the class room and that is the perception. This is a perception amendment and she did not have any problem leaving this on to address the perception as long as it will sunset in 2 years. Her problem is the process of implementing it. If she understood this amendment correctly, it is not a percentage of the total budget, we are talking about the state wide average for administrators regardless of class. Ms. McClure said it is 95% of your own district, not state wide. Senator Waterman said if her district is spending 96%, then they would have to go out and vote for the 1%, we could tell the district they have to run a levy for this 1% of administrative salaries that might be \$300. They do not have to run a voted levy in that district since they are within 104% cap, etc. They would have to go out and run a levy for \$300. She asked if that was a possible scenario.

Andy Merrill said some of the choices made this morning puts that exact light on this amendment. That is a possibility since you have removed the need to always go for a voted levy and the caps.

Senator Waterman said if you were running a voted levy for over 4% for maybe \$100,000 for the voted levy and \$300 for the administrative salary, you would have to run two levies. She said there is more trouble with the structural things in this.

Senator Stang said with the amendment and with what Dennis Craft said, if Missoula County's expenses are 3% or 4%, what is to prevent the superintendent from Missoula county saying we are not spending enough on administrative expenses and could get their own raise through the budget. In a lot of those cases in smaller schools the superintendent is also the principal and the principal probably teaches 3 or 4 classes per day, and they could pay him more to teach and less administrative salary. He could see a lot of ways to get around this, it might make a lot of

people feel good, and appreciate the fact that this committee has a good mix of big and small on it, but he just could not see this amendment working.

Senator Van Valkenburg asked if there is anybody here who wants to defend it.

Senator Stang said there is one other thing we are up against and it goes back to the local control issue and the Board of Education issue. The Board is the one that has told school districts they have to have these administrators and tells them how many and who they need according to their accreditation standards. He said instead of getting after the administrators we need to work on the Board to relax these standards.

Senator Van Valkenburg said with all due respect to the House, he felt this was one of the things they do for show. If it is really important to them, we can go back and talk about it in a conference committee. He believed the Senate should take it out in it's entirety because he thought it was much adieu about perception. A lot of the problems with politics and government and everything else in Montana, is that we continue to not be honest with the people about what the real facts are. If the real facts are that administrative expenses are not out of line, then why play to the prejudice that they are out of line.

Chair Blaylock said Senator Toews had mentioned the power of the superintendents to influence the school boards. He believed it was correct, and if a Board hired a superintendent whose advice they would not take, they were making a big mistake. Superintendents do have a lot of influence with the school boards but believed there were instances in Montana where superintendents in effect, have given away their jobs. There are superintendents who say to themselves that they do not want to take care of the business end of running this school so they hire a business manager when they really ought to be doing that themselves. That is not true in the really large schools, but in the middle sized and smaller schools, they should be taking care of those things and saving that expense. He did not believe that could be fixed at the state level, but is something that has to be done at the local level. To the citizens who stand around in Laurel and complain, he has asked if they had gone to the school board and their answer is that they wouldn't listen to me. When we try to fix these kinds of things at the state level, we probably just muddy the situation.

Senator Brown said he would echo the comments of both Senators Blaylock and Van Valkenburg. This issue worked real well for Dave Wanzenried in the election, and the reason it did is because there is a perception out there that we spend money on extra curricula and administration and not enough on educating kids. People have heard that repeated so many times that it has been repeated as a fundamental truism. Senator Toews is right, they can get around it by shifting money or doing something. If this



is a big deal to the House, assuming this bill goes to a conference committee we can talk about it then and believed it could be easily pulled out.

Senator Waterman said she would agree about the perception, but the House is going to be perceived as trying to control administrative costs and when the bill came to the Senate we just let the administrators run wild. She did not think it does anything, but felt it should be left in and if it is taken out it should be done in conference committee by both Houses. She agreed we ought not to make decisions based on perceptions, but every time anybody runs, they are talking about streamlining government, reinventing government, cutting the fat out, eliminating bureaucracy, etc. A lot of what we do around here is addressing perceptions. She pointed out some of the things that are done at the present time and said she was not ready to remove this right now.

**Motion:** Senator Stang moved the subcommittee strike the Wanzenried amendment. The motion CARRIED, Senator Waterman voting no.

Senator Stang said he would like the Chairman to request to the Audit committee some information. He would like them to present the information on the weighted average GTB, and what it does to the school districts; what putting in the non-levy revenue does to the school districts and maybe what the two would look like if both of those were done. It appears that might be a compromise between the two positions. He would also like to have them look at what happens if we change the per student allocation, like the elementary amount of \$3500 or the high school amount of \$4500, the base rate change.

Chair Blaylock asked if Senator Stang could refine the last item and Senator Stang said maybe they could make some ranges of what happens if you reduce that to \$4500 or \$4,000. Perhaps if they could do something at \$4500, \$4,000, \$3500 and \$2800 so we could see what effect those numbers have. He said the other thing would be to look at the per student reduction factor if we decide maybe not to lower the per student allocation that we may take a look at changing the amount of the per student reduction factors and what a 10% increase or decrease, either way, would do. He believed that would give the committee some ideas.

Senator Blaylock said with people wanting to go home, some to a meeting, and Senate Finance and Claims meeting, he did not think it wise to meet tomorrow.


Senator Waterman said she would also like to make a request from the Auditor, if we move the stop gap to 800 what it would do.

He set the next meeting for 7 a.m. Monday morning.

ADJOURNMENT

Adjournment: 10 a.m.

  
CHET BLAYLOCK, Chair

  
SYLVIA KINSEY, Secretary

CB/sk

# ROLL CALL

SENATE COMMITTEE Subcommittee on HB 667

DATE 4/2/93

[illegible]

FC8

Attach to each day's minutes

SUBCOMMITTEE ON HB 667

DATE 4/2/93

TIME ~~7-8-44.~~

A.M. P.M.

**YES**

NO

[illegible]

Sylvia Kinsey

Chet Blaylock

MOTION: *Re consider 6 80.*

April 2, 1993  
Office of Public Instruction

Questions about House Bill 667

1. Why, when the OLA ran the regression analysis used in House Bill 667, did they include general fund expenditures for capital outlay and special education allowable costs? These expenditures are not driven on a per-pupil basis and including these expenditures in the analysis skews the calculations of per-pupil costs.
2. Why is district size is the only factor that the model recognizes as educationally-relevant? Special education spending, both the state and local shares, need to be recognized in the funding system as well.
3. What are the incentives to maintain separate districts or to consolidate under this bill? We'd like this committee to take the time to analyze how much districts receive in state funding under the current system versus the amount of state funding they would receive under HB 667. We also have a concern about how the bill allocates funds to K-12 districts, the spreadsheets have been run differently than the language in the bill indicates.
4. Within general size categories, do equal numbers of districts have to reduce their spending as have to increase? Or are we shifting funds in general from one size category of school district to another?
5. We have concerns about taxpayer equity issues in this model. How many districts still have a significant tax advantage (i.e. very few mills) because of the availability of non-levy revenue to fund the district's budget?

eph2  
4-2

OFFICE OF PUBLIC INSTRUCTION  
SENATE SELECT COMMITTEE ON SCHOOL FINANCE  
April 2, 1993

Testimony presented by Kathy Fabiano, Office of Public Instruction

Appreciate the opportunity to discuss with you in depth the policy questions you will need to decide as a school finance bill is developed.

Hb667 is a good start, however there are several critical questions that need to be answered by the Legislative Auditor's Office before we can tell you if the statistical model approach used in that bill will benefit, harm or have no substantial effect on schools when compared to the present system. Questions like -

MADALYN'S QUESTIONS

These questions should all be answered to your satisfaction before policy decisions, like should the 18,000/\$200,000 base amounts or the stop loss amount be adjusted, are made. Since the answers to these questions may not be reflected in the spreadsheets or "runs" of the statistical models that you have, you may not have a total picture of the district by district impact and implications of HB667 on Montana's schools.

1. For this reason, we recommend you retain the 80-100 minimum/maximum budget mechanism in the bill - it's a good way to address per pupil spending disparities - but apply the concept to the current schedules.

The current schedules have not been an issue in the school funding lawsuits. Applying the 80/100 concept to them will allow us to keep a substantial portion of the current system and language in place. That's important because this bill has a July 1, 1993 implementation date ( only 3 months away now) and because the current system at three years is still relatively new and not fully understand by everyone is trying to understand it.

2. Two more major policy questions you will need to address are the issue of various caps on budget growth and the issue of voted vs. permissive levies. We recommend you remove the spending reduction provisions in the bill for districts above the 100% cap and that you remove the optional vote required on budgets that are between 80 and 90 % of maximum.
3. We recommend that you retain the concept of paying less state dollars through the schedules and more as guaranteed tax base aid. This approach equalizes more dollars at no additional cost to the state.

4. Retirement - you essentially have two options. Leave the funding mechanism as it is, or further equalize by levying 23 mills statewide rather than the the current county by county levies of anywhere between 0 and 40 mills. A change to levying 23 mills statewide would result in levy increases for about half the counties, and levy decreases in the other half.
5. Capital Outlay - we recommend you incorporate into HB667 the provisions of SB32 as it left the Senate, and the capital outlay components of SB432. SB32 provides for guaranteed tax base aid to subsidize district levies for debt service. SB432 creates a separate, voted Capital Projects Fund and provides for a state match of up to 40% on district mills that are levied to fund capital projects.
6. Transportation - we recommend you incorporate the provisions of SB432 that deal with the creation of a bus purchase fund. This would be a budgeted fund, funded by a permissive levy with the same state matching provision as proposed for capital outlay levies.
7. Guaranteed Tax Base Aid - We recommend you retain the current system for determining GTB, as opposed to changing the distribution to a method such as the one proposed in Senator Stang's bill. We don't know the impact under this bill of changing to another method because all the analysis has been done assuming the current system stays in place. Also and I've said this before, with an implementation date only 3 months away, we advocate leaving as much of the current system in place as possible.
8. Non-levy Revenue - Representative Kadas indicated to you the other day that non-levy revenue could be recaptured. Doing so will address the taxpayer disparity issue that I spoke to you about the other day. The disparity caused by non-levy revenue is currently not addressed in HB667. Recapturing non-levy revenue will further equalize, and will generate approx \$22.5 million annually before deducting the resulting increase in guaranteed tax base aid. We concur with Rep Kadas's recommendation but believe you should give the districts that are affected by it, the authority to levy permissively to a certain level.
9. Special Education and Tuition - we recommend you coordinate this bill with Hb469, dealing with tuition, and SB348 which changes the method of distributing state special education dollars.
10. P.L.81-874 - Our office is working with Lynda Brannon and we will soon have a recommendation for you to address the concerns of schools that receive P.L.81-874 funds.
11. Finally, we would appreciate the opportunity to come back to you with amendments drafted to make ANB more current (Rep

EX 2  
4-2-93  
HB-667

Simpkins referred to this amendment in his testimony before you on Wed), an amendment to the budget amendment provisions in the bill and miscellaneous other amendments that are either clean-up or are intended to simplify school finance.



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4-2-93  
# B-667

**HB667 – THE BUDGET CAP BAZAAR**

ABOVE 100% RANGE			* Mandatory Budget Freeze or Optional Permissive Budget Reduction, Followed by Mandated Reductions on a Phased-In Permissive, then Voted Schedule
MAXIMUM 100%		>	* Voted Budget Growth of Less Than 4% Up to the 100% Level
			Voted Budget Growth of +4% or +4% / ANB
90% LEVEL		>	Combination of Optional Permissive and Voted Budget Growth of +4% or +4% / ANB
			Permissive Freeze or Budget Growth of +4% or +4% / ANB or Optional Voted Budget Growth of +4% or +4% / ANB
MINIMUM 80%		>	# Combination of Mandatory Budget Growth to 80%, Then Optional Permissive or Voted Budget Growth to +4%
BELOW 80% RANGE			Mandatory Budget Growth of the Greater: +20% of Difference to 80% Level, or +4%, or +4% / ANB

\* Excluding districts receiving more than 10% of their current budgets from federal source revenues, HB667 would cap budget growth of 129 school districts enrolling 22,864 (15%) of Montana's students at less than +4% in the coming 1993-94 school year. By 1994-95, 16 additional districts and nearly 5,000 more students would have budget growth capped at less than +4%.

# 112 districts enrolling more than 37,000 (25%) of Montana's students are currently assured a higher level of budget at HB28's GTB assisted 135% caps than would be mandated at the 80% level of HB667.

epd  
4-2-93  
HB 667

## MEMORANDUM

To: Senate Select Committee on Education Subcommittee  
From: Eddy McClure  
Legislative Council  
Date: April 1, 1993  
Re: Policy decisions needed on HB 667 raised during hearing

- (1) ANB Stop/Loss: 1000 High School; 2000 Elementary.

Should the High school stop/loss be changed from 1000 to 800 ANB ?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (2) Special Education:

(a) Should special education provision be coordinated with SB 348 (Halligan)?

Yes \_\_\_\_\_ No \_\_\_\_\_

(b) Should special education allowable costs be added to entitlements to define BASE budget and maximum budget levels?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (3) Districts spending over maximum budget level: currently districts above 100% required to spend "down".

Should the districts spending over the maximum budget level be frozen at current budgets rather than being required to reduce budgets?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (4) Wanzenried administrative costs amendment: currently limits all school administrative expenses to 95% of 2-year average.

Should administrative reductions remain the HB 667?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (5) Caps below 80% level: currently the greater of 20% of range between current and base budget or 104% of prior GF budget or 104% of prior GF budget per-ANB.

Should caps below 80% level be removed?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (6) Caps between 80% and 100%: currently 104% of prior GF budget or 104% of prior GF budget per-ANB.

Should caps between 80% and 100% be removed?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (7) Kadas amendment: between 80 - 100% level requires voted levy above 90% level.

Should districts be required to have voted levy to spend above the 90% level?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (8) Optional vote between 80 to 90% level: with Kadas 90% amendment, currently allows an optional vote on levy between 80 and 90%.

Between 80 and 100% level, should optional voted levy requirement be maintained or should levy below 100% be permissive?

Yes \_\_\_\_\_ No \_\_\_\_\_

- (9) Capital outlay: currently not in HB 667.

Should capital outlay equalization (some form of SB 32 (Blaylock) or SB 432 (Towe capital projects) be included in HB 667?

Yes \_\_\_\_\_ No \_\_\_\_\_

(10) Retirement: currently not in HB 667.

(a) Should school costs covered by retirement levy be equalized in HB 667?

Yes \_\_\_\_\_ No \_\_\_\_\_

(b) If yes, as a separate entitlement or an adjustment to per-ANB entitlement?

(11) Transportation: currently not in HB 667.

(a) Should transportation costs be equalized in HB 667?

Yes \_\_\_\_\_ No \_\_\_\_\_

(b) If yes, as a separate entitlement like SB 432?

(12) Per-ANB reduction factor: currently basic per-ANB entitlement is reduced by 50 cents for each high school and 20 cents for each elementary school up to the stop/loss level.

Should high school or elementary per-ANB reduction factors be changed?

Yes \_\_\_\_\_ No \_\_\_\_\_

(13) COLA or inflation index: currently not in HB 667.

Should an annual inflation factor for the 2 entitlements be included in HB 667?

Yes \_\_\_\_\_ No \_\_\_\_\_

(14) GTB state aid: currently at 195% of statewide taxable value per-ANB.

Should GTB percentage be adjusted to achieve another state equalization level?

Yes \_\_\_\_\_ No \_\_\_\_\_

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HB-667

- (15) Weighted GTB (Stang SB 308): current GTB aid is based on ANB in HB 667.

Should GTB formula be related to the BASE entitlement amounts to consider school size?

Yes \_\_\_\_ No \_\_\_\_

- (16) Non-Levy revenue: currently not equalized in HB 667.

Should non-levy revenues be equalized by remitting money to the state or deposited in the county equalization aid account to be distributed as state equalization aid in HB 667?

Yes \_\_\_\_ No \_\_\_\_

- (17) House Amendment to cut \$40 million: reduced state commitment in HB 667 as introduced by \$40 million.

Should cut in state commitment remain in HB 667?

Yes \_\_\_\_ No \_\_\_\_

- (18) Effective date: July 1, 1993

Should the bill have an immediate effective date?

Yes \_\_\_\_ No \_\_\_\_

DATE 4-2-93

SENATE COMMITTEE ON Sub Com on HB 667

BILLS BEING HEARD TODAY: \_\_\_\_\_

Name	Representing	Bill No.	Check One	
			Support	Oppose
Tony Tognetti	Stevensville Schools	667		X
Ernie Jean	Fronco-Carton Schools School Admin Mont	667	X	
Dan Nelsen	Broadview School	667	?	?
Loren Frazier	STAM	667	X	
Pat Melby	Underfunded Schools	667	✓	
Harry Erickson	Belgrade	667	✓	
Al McMillen	Townsend	667	✓	
Jay Erdie	Boundup	667	✓	
Jim Anderson	Celstip		?	
Staci Riley	MFT			

# VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY