

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE FOR SELECT COMMITTEE ON SCHOOL FINANCE

Call to Order: By Senator Blaylock, Chair, on April 5, 1993, at 7:00 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: None.
Executive Action: None.
Discussion: HB 667

Discussion: Chair Blaylock asked Ms. McClure for a recap of action taken in the April 2 meeting and referred to the sheet on policy decisions. (exhibit 4, 4-2-93) She said on the first page the subcommittee elected to freeze the schools at the top rather than force them to reduce their spending. You removed the Wanzenried administration costs amendment 2-year average that was put on in the House. Also on page 2 you changed the caps and there are now no longer any caps below 80% and in the mid range you changed the caps from the 80-100% level to either the greater of 104% of last years budget or 104% per ANB. Any left on in the below 80% was a 5 year mandatory. They can go up as fast as they want, but have to be up to 80% within 5 years.

Senator Stang asked if between the 80-100% if they wanted to go over their budget it would be a voted levy and was told yes.

Chair Blaylock said on Saturday at Senators Brown and Stang's

request they had a discussion. They are uneasy and he told them they could make a motion today to reconsider it. Because of the time constraints we are facing, he would urge the members to discontinue this procedure. We are always open for reconsideration, that is our rules, but he hoped this would not be done again because this had to be reported to the full committee on Wednesday and if we continue this practice we will run out of time.

Senator Brown said he and Senator Stang had an opportunity to visit on this on Friday afternoon and Saturday and have a couple ideas for revision they would like to run past the committee. He handed out a copy of his proposals. (exhibit 1)

Senator Brown, said as seen by our previous action, we agreed to freeze the school districts above the 100% level. In the level between 80% and 100%, as we have agreed to up until now, we have 4% per year increases that are permissive by action of the trustees and increases in excess of 4% would be subject to a public vote. He and Senator Stang would propose that in the area below 80%, in the area where we are trying to get the school districts into the 80% level from the bottom, instead of their being able to do that in an unlimited way, we mandate the 4% increases by law and anything above that would be subject to a public vote. We proposed this in the interest of simplicity because it seems to correspond better to what we have already agreed to in the school districts above the 80% line and also because it would lessen the fiscal impact that was suggested to us at the last meeting. He said they had not had a chance to visit with Curt Nichols about this and are not sure what sort of an impact this amendment might have.

Motion: Senator Brown moved to reconsider adopting the amendment for the below 80% districts.

Discussion: Senator Waterman said she would want to know what he is going to do with this motion before she voted to reconsider it. She asked if he was saying they would no longer have to reach the 80% level in 5 years and Senator Brown said he believed discussion before was that if we mandate increases for 4% in each year they would be there in 5 years. Several committee members disagreed with this. Senator Waterman said if you go up just 4% of your budget, and you are down to 50% it will take you the rest of your life time to get to 80%.

Senator Stang said what Senator Brown wants to do is to mandate an increase so that in 5 years they will have to be at 5%, but anything it takes over the 20% each year to get there would have to be a public vote rather than be permissive.

Senator Waterman said then you would mandate they go up at least 20% per year, they can go up an additional 4% above that mandated area permissively. Senator Stang said no, they go up the 20% permissively, but anything over that is a voted levy. The main

reason for doing it is the fiscal note.

Senator Waterman asked if they were willing to discuss doing it in anything less than 5 years. Senator Brown said he believed the motion should be passed before that was discussed.

Vote: The motion to reconsider the action on the below 80% passed, 5 yes, 2 no, roll call vote.

Discussion: Senator Brown asked Curt Nichols for the impact this motion may have, recognizing this may not necessarily be only 4% increases in each year, but possibly to raise 20% per year to get to the 80% per year.

Curt Nichols, Office of Budget and Program Planning, Governor's office said the current fiscal note assumes that people will go with the larger of 20% or 4% and the estimated cost of going to that to allowing districts to go all the way to 80% the first year is about \$ 12.5 million. Putting a vote on that, he believed, would reduce that call in half to about \$3.7 million per year. The history of many districts is that even though their budgets are increasing, they have not had a history of voting mill levies. His assumption is that based on an increasing budget and the history of not voting mill levies, they would not vote to increase their mill levy more than 20%.

Chair Blaylock asked what made him think the school boards in those districts that have traditionally and historically not voted special levies, would suddenly turn liberal and start voting this. Mr. Nichols said he was saying they would not do so. His assumption is they would not, but if you granted the permissive, where the voters didn't vote they would increase, and that is where he is basing his assumption.

Chair Blaylock said he meant why assume the school boards would use that permissive. Mr. Nichols said because to a major extent they did when they were given the last opportunity when the school board had the chance to act permissive. Looking at state wide statistics, even though the districts had increased their spending, and even though there was a significant increase in mill levies, they did pass those levies

Senator Waterman asked if he had looked at those traditionally low standing districts we are talking about here and what they did in '89. She asked if he had broken them out separate from the state wide. Mr. Nichols said he looked particularly at districts that had not voted levies before and received the increase under Senate Bill 28. They took the expense that went to 135.

Senator Toews said he could live with the "voted over 20%", over the difference of the 20% increase they are supposed to have to get to the 100%, but he could not see where the 4% comes into play at all. If you just wanted to add a vote to the original

bill, that would be one thing, but he could not see where the 4% is in this.

Senator Brown said he wanted the part below the 80% line to correlate with the part above the 80% line. He believed in the case of a lot of the school districts, 4% would be in the ballpark of that, but if we could accomplish our purpose by going to 20% of the difference and assume they would automatically phase in over 5 years, that would be acceptable to him. We are trying to figure out how to do this in a way that is doable within the budget. He did not know if this was it or not, but it comes closer.

Senator Van Valkenburg said he thought we ought to worry about the budget when we get done with this thing and back away from what we figure we can't afford to do after we are done doing what we think is the right thing to do rather than trying to work our way into it based on what three or four of us assume we can afford.

Senator Blaylock said one of the things that concerned him was that the Supreme Court hung it's hat and, in effect, chastised the Legislature and said we had to do something largely because of what happened in this level we are talking about. They said the kids in those school districts were not receiving the education they were entitled to under the constitution. He believed that the sooner we get those people up to the 80% level the sooner we get out of Court. He said he did not want Montana in the position Texas and some of the other states are in where they have been fighting this fight over and over. He really believed this should be moved on.

Senator Waterman said one of the concerns she has is that the first action we took was that high spending districts, some of which are at 140% or above, are frozen. It will be years before we truly equalize because districts are not going to catch up with those high spenders. She agreed to take that action because she had always believe we should not "dummy down" in this proposal but it is hard for her to justify that the district spending 140% can stay there and a district spending 60% can not move up to even spend 80% of the average. You have districts that are spending twice as much as another district the same size. She did not believe we should penalize the low spending districts and exempt the high spenders. She had gone along with supporting the freeze because she thought it was fair, but did it also, under the assumption we would allow the low spenders, at least come up to 80%. We are not talking about even coming up to average, we are talking about going to 80%. If we are going to do this we should probably go back and force down the high spenders and said she hated to do that too.

Senator Brown said he guessed as often said, politics is the art of the possible and certainly it causes great discomfort if you bring those school districts above the 100% line down, and that

is why we agreed in this committee and felt there was probably consensus in the Legislature, to freeze the top end ones. We also have to recognize that on the bottom end, if we want to try to get something important accomplished in the area of school equalization in this session, we will have to try to do so, mindful of the impact on the budget. He believed the amendment he would like the subcommittee to agree to which he would modify to mean 20% of the difference between where they are at the 80% level over 5 years. That would get us in the direction of equalization in an important and significant way. By Mr. Nichols calculation, it significantly reduces the possible impact on the budget with this proposal. He would hope the committee could go along with it in the spirit of trying to accomplish something important.

Addition to Senator Brown's Motion: Senator Brown added that he would modify his motion to mean 20% of the difference between where they are at the 80% level over 5 years.

Senator Waterman asked if he had made the motion for the 20%. Senator Brown answered yes.

Substitute Motion: Senator Waterman moved a substitute motion that we go to 80% in three years.

Senator Brown said he did not know what the cost would be on this and did not know how to respond. Senator Waterman said it would assume about \$4 million instead of \$12 million if they went there all at once. She asked Mr. Nichols if he had some idea what it would cost to do this in 3 years. Mr. Nichols said he did not.

Mr. Gillett said they provided information to Senator Waterman on this. He said he had made the chart a little easier to read and passed copies out. (exhibit 2)

Senator Waterman said you are talking about \$2 million in the first biennium. It is not unreasonable if we want to freeze the high spending districts, many of which are far above the 100% level, that we allow districts to spend an additional \$2 million in a move to get to 80% of that cost within 3 years.

Senator Brown asked how this would correlate with the \$3.7 million figure Mr. Nichols just gave us. When we look at the bottom line and see the \$6.7 million and the \$5.6 million, that is what we are talking about as the bill is now. He was trying to address the top line. He asked Mr. Nichols about the figure he had given them which was quite a bit more than the top line on the first one. Mr. Nichols said he believed the assumption that goes with this, is that they cannot go above 33%, even with a vote. They would be frozen there because it is the minimum and maximum both. If you went to the 33% at the minimum but left the maximum going to 80%, the bottom line would still be there.

Senator Brown asked if he agreed the impact of this would be

somewhere in the ball park of \$2 million. Mr. Nichols said again, if that was the maximum. Senator Brown said then that is the way we would have to do it. They would just go up 33% each year, regardless of their situation.

Senator Waterman asked why wouldn't you allow them to vote it above that. Senator Brown said because he was trying to save money. Senator Waterman said these are historically frugal districts and it would be under 3 years. She said his argument they would get there in 5 years, and your motion said they could vote above the 20%. Senator Brown said that would be the trade of what we are talking about here. You would guarantee to get them there in three years, but we are able to predict they are going to get there. By his proposal it could take 5 years and they might not vote it. Senator Waterman said in his proposal they could get there in the first year and Senator Brown answered yes.

Senator Waterman asked why he would not let them do it by a vote under her proposal and Senator Brown said because he was trying to save money. Senator Waterman said you assume the voters will have the same propensity to support their district under either of the proposals if it goes to a vote. They will vote on it under either proposal and vote on going to 80% the first year we have as great a likelihood under your proposal as mine. In fact, it is going to be harder to get there under your proposal because they have more of a vote. She said all she was doing was raising the floor a little.

Chair Blaylock said the issue before us is a substitute motion by Senator Waterman that they go up 33% and are permissive above that to 80%. They can go to 80%, it is the same as Senator Brown's motion. They must go to 33% increase each year and voted they could go to more than that, up to 80%.

Pat Melby said the way the bill was drafted before when it was 20%, it was 20% of the difference between where they are now and 80%, so they could go 20% or 104% of last year's budget. If you motion is just 33%, then some school districts that could have gone to 80% by doing 104% of last year's budget won't be able to do that. They can only go 1/3 of the difference between where they are now and 80%, so he would suggest, if you agree, that it be 33 1/3% of the difference between where they are now and 80% or 104% of last year's budget or 104% of last year's budget per ANB.

Senator Waterman said she had assumed all along that whether it is Senator Brown's motion or hers that they were not touching that 104% and the 104% ANB, we were only talking about the part.

Addition to Senator Waterman's Motion: Senator Waterman said she wanted the 104% and the 104% of ANB in her motion and the last year it would read remainder.

Dori Nielson said there was still a problem with the motion. As the current bill was written, it was 20% of the difference each year. 33% of the difference will give you the same problem. In the third year it still says 33% of the difference. That means you have 2/3 of something left over. If you are going to put this in for the third year, it should say the remaining of the distance.

Senator Waterman said she was assuming you would write the language to be 1/3 or 1/3 of the original amount you started out with.

Chair Blaylock asked Ms. Nielson for the specific language we would need to get rid of that end. Ms. Nielson said if you are doing 20% or 33% or whatever, it is "of the difference" so each year you will calculate the difference and take the third or fifth or whatever, and you still have a hunk left over. Whatever amount, the last year had better say the remainder of the difference. You can't start with the first one and lock it in, your budget is going to change.

Senator Van Valkenburg said it is simple if you are talking about three years. The first year it is one third, the second year it is 50% and the third year it is the remainder. It is 50% of the remainder in the 2nd year and 100% of the remainder in the third year.

Mr. Simpkins said the only reason they didn't put the vote at the bottom was to try to get a handle on what the budget figure would be. If you leave the vote out, what you have will work. The reason we put the 33 1/3, the 104% and the 104% or whichever is greater, it would automatically push them above the 80% line when you got the 104%. When you get that close to the 80% you did not want to keep a school district there, but to let them go the 104% up into the 80.

Senator Brown said it seemed to him the method Senator Van Valkenburg had just suggested makes just simple sense.

Vote: The substitute motion for 33 1/3% CARRIED, unanimously.

Discussion: Senator Stang said he had another proposal. He and Senator Brown spent a lot of time trying to hammer out some differences between the big schools and the small schools. He would propose we combine the two ideas in one amendment. They have to be done together, because if done separately, it throws it into an imbalance. He would propose we use the weighted GTB to figure the GTB and an 800 figure stop loss. He said some of the people who represent larger schools think it is a ploy for the small schools to get money, but to him it had been proven by the weighted GTB, and some say the weighted GTB truly equalizes. If you look at the figures between the 40 and 80% and look at the permissive budget or the voted budget and use the weighted GTB, it takes exactly, almost to the person, the same number of mills

to raise the amount of money in that level. To him that truly equalizes and throws out the argument that a \$50,000 house in Ekalaka is going to pay more than a \$50,000 house in Alzada or wherever, that statewide those people are going to pay the same to raise the same amount of money for education. Because he knew politically, that would not pass, and because if we did that it would be looked at as a move to strictly help the small schools, we needed to do something for the big schools. We looked at Representative Kadas's stop loss figure and decided the 800 stop loss would, in the first year almost be a wash. In the second fiscal year the 800 stop loss combined with the weighted GTB is probably going to cost about \$450,000 per fiscal year. He and Senator Brown felt this was a decent compromise that may get us out of court, may help some of the big schools who think we are trying to steal their money to get out of court, and give them a little extra money. He handed out a sheet from the Legislative Auditor's office. (exhibit 3)

Chair Blaylock said with Senator Stang's proposal, we are making a jump and perhaps should make another decision before we decide on this one. The decision is whether we go with the schedules or do we go with this proposal. The minute you get into the stop loss, the assumption is that you go with HB 667 and the concepts. If we are going with 667 it assumes the schedules are out and it is a concept we have to make now.

Senator Stang said he had assumed since we had decided we were going with HB 667 the other day we had already decided we were not going to go with the schedules, but were going to go with the numbers that were in 667. Chair Blaylock said if that is the assumption that was made, it was his fault that we had not taken that up immediately. It was his understanding that we can put the schedules into 667, but that is one of the major decisions we have to make.

Senator Brown said he believed he was the one who made the motion we use HB 667 as the vehicle and when he made that motion he had in mind we would follow this stop loss concept. During the testimony on the bill there was testimony that we ought to consider using the existing schedules. Chair Blaylock said that was correct, but he had also said we had 432 before us, and both these bills are major changes and are different in concept. We decided to go with 667 because it is further down the track, but that we would, where this committee decided on recommendations to be made to the full committee, put in parts of 432 we thought would make this a better bill. He believed we should consider that.

Senator Stang said he had not made a motion on his proposal, he had just explained it.

Motion: Senator Stang moved we just use the mechanism in HB 667 rather than try to deal with the schedules.

Discussion: Senator Van Valkenburg said it is his understanding that before he had gotten to committee on April 2nd, the office of OPI, Kathy Fabiano, set out a list of questions that needed to be answered with respect to the utilization of this mathematical formula. He asked if those questions had been answered.

Chair Blaylock said the OPI had gone down through them and the committee had looked at them. He asked the OPI for his opinion.

Gregg Groepper, Assistant Superintendent, OPI, said he believed the question Ms. Fabiano was talking about were in terms of analysis, that our office had suggested you ought to consider before you made that decision. One of the analyses is Capital Outlay in or out and the question of Special Ed in or out and if we were to use current ANB We made a suggestion that if we are to get this rolling by July 1 and could minimize the work, we wanted you to consider using the fall enrollment so we did not have a whole bunch of budget amendments. If we don't do that we would be looking at a year and a half old ANB and now 104% of ANB. Districts would have a difficult time doing that. He said specifically, those three questions are not answered yet. As he recalled Friday, you sent the Legislative Auditor's office back to crunch a bunch of numbers with some assumptions. We have not seen those numbers yet, so he did not think all of the questions Ms. Fabiano had posed have been answered yet.

Senator Stang said he did not think it was the fault of the Auditor's office that the OPI had not seen those assumptions. You knew what we wanted and have the same data base. You could have brought up the same assumptions and we could have compared them.

Chair Blaylock suggested the committee look at # 9, Capital Outlay. (exhibit 4, 4/2) He said retirement is # 10, transportation # 11 and special ed is 2.

Senator Waterman said she thought they could be decided and the fundamental question is which schedules we are using and then put these in after that decision is made. She would support Senator Stang's proposal, there is no rationality in the present schedules and it is time to change. She had concluded it was better to go with what is in HB 667 as a starting point.

Senator Van Valkenburg said it seemed fairly obvious to him that so many people have bought into this Auditor's proposal, particularly on this subcommittee and obviously in the House of Representatives, that it is "nigh unto fruitless" anymore to try to get in the way of this locomotive. Unless someone else wants to join him in saying our professional school people who have an obligation to implement this thing need to get some basic questions answered about how this formula is going to work, there is no sense carrying on the discussion.

Chair Blaylock said this is a basic issue we are having to face

and had asked specific questions of the school people in here. Before you got here on Friday he had asked them, "will this work", and "can you work with this". He had asked Ernie Jean, President of the Administrator's Association and they feel this would work. He had asked people who are going to have to work with this and if it doesn't work, it isn't because they weren't asked.

Senator Van Valkenburg said Ernie Jean is not running the OPI. He said he was referring to Nancy Keenan and her staff.

Senator Waterman said she was not saying we don't have to answer these questions before we get done, but it is the point at which we start. She believed we need to give OPI the answer to their questions, but it is just which proposal we are starting on. Her feeling is that she would like to take up what Senator Stang is proposing and then we will work through and answer those questions about capital outlay and retirement etc., but we will do it working off of HB 667.

Chair Blaylock said the motion is that we use the mechanism in HB 667 to work from, and the question before the committee is do we use the concept that is in HB 667 or do we use the system of the schedules.

Vote: The motion CARRIED, Senator Van Valkenburg voting no.

Senator Stang asked the Chair if he would rather discuss Capital Outlay first and Chair Blaylock said Senator Stang's concept would affect that decision.

Capital Outlay, #9

Senator Stang asked what the chances were of the House receding from their amendments on your bill is and Chair Blaylock said he had not taken any kind of a poll, and just did not know. He said on Saturday he rejected the amendments of the House on SB 32, he did not believe they were workable and his desire is to go back to 32 the way it left the Senate.

Senator Stang said the further question is if the Chair would like to see him put it in HB 667 to make sure they have to consider it again or just leave it hang out there by itself. Chair Blaylock said he had said from the beginning that SB 32 should stand on it's own and get through. There is no guarantee on HB 667, it is contentious even as it has been around the table this morning, and it will probably be contentious in the big committee as he had told both Senator Brown and Senator Van Valkenburg, who feel strongly about their positions, although Senator Brown's may have been settled. Senator Van Valkenburg would have a perfect right to bring this up and try to sell his position. As HB 667 progresses, it could die. SB 32, in some form, has to get through this Legislature, because if it doesn't, we are back in special session. He said it could be put into

this bill, but he also wanted it to stand alone.

Senator Stang asked, if we decided to put the weighted GTB into HB 667, would you work with the conference committee to get the weighted GTB into SB 32 so they would be consistent. Senator Blaylock said no.

Representative Boharski said one thing they did talk about in the Select Committee, was trying to keep this bill reasonably simple because of the forced effective date. That was one of the reasons why the select committee resisted putting all they felt OPI wanted in trying to keep on the right track with all their funds etc. We were trying to keep from changing as many things as possible, just to keep confusion down. So they resisted putting capital outlay, retirement and transportation in the bill.

Senator Waterman asked if she was correct in that if we do weighted GTB in HB 667, we would need to do it in SB 32. It would be a nightmare not to do them both the same.

Senator Stang said it would be his intent, that if Senator Blaylock was not willing to work that concept of the weighted GTB average into his bill, if it should pass this committee he would intend to put a coordinating clause that if weighted GTB is used here, it will be used to determine capital outlay.

Senator Waterman said in the list of questions we got from OPI, their discussion on capital outlay and special ed she believed tied to what is now in the general fund budgets of schools. (exhibit 4, 4-2) There are some capital outlay costs and special education costs within that. They are not talking about formula outside. She asked if that was correct, and asked if the OPI question didn't have to do with those costs that are included within the foundation schedules now. Gregg Groepper said perhaps if possible, they could segregate the special ed question since the committee is not taking about that right now. Their concern on capital outlay was two-fold. One, they thought there needed to be this special fund and it needed to be dealt with some form of GTB, and OPI testified along the lines of Senator Blaylock's bill. Separate from that decision, whatever the committee decides, he believed OPI would say whatever GTB mechanism you use, it ought to be the same in both places. If not, we would just add to the administration of this regardless of the merits on which you decide upon. There is a secondary issue he had not heard mentioned, and that is there was language in 432 that specifically excluded capital outlay expenditures and bus purchase expenditures. Regardless of how this goes, we would hope this committee would favorably consider getting those kinds of expenses outside the general fund so the per pupil expenditures look a lot more comparable. You would not have to go back and pull those out every time you wanted them for litigation.

Senator Waterman said the concern is that at the present time some of those capital outlay costs are within the general fund. Mr. Groepper said there are no restrictions right now for capital outlay expenditures in the general fund. If you had enough wealth to bring a gymnasium or an extra classroom out of your general fund, you are not restricted from doing that and that, in some districts, is what skews this per pupil expenditure.

Tom Biladeau, MEA, said to follow up on Mr. Groepper, in respect to capital, if you make that decision to use the same GTB weighted formula, there is still a secondary issue as to whether or not you want to target those monies to districts that are actually levying bonds at this particular date, or if you wish to spread those monies out over all the districts.

Chair Blaylock told Senator Stang that if his view is the majority view, you can get that in here and you can put the coordinating instruction on SB 32, but you asked me for my personal choice and you received it. He asked if the committee wants to put capital outlay into HB 667.

Senator Waterman said her preference would be that we coordinate 667 with 32, but not roll them into the same fund. If we decide to do that, she would then ask OPI to work with Ms. McClure to prepare an amendment to allow them to segregate capital outlay costs out of the general fund so they are calculated separately. She did believe in the long run, this will be an important issue and once we have a way to equalize capital outlay, they have to be calculated outside and cannot be done within the budgets. She believed they needed OPI to work out the mechanism for this.

Senator Toews said he would agree that 32 and capital outlay need to be outside this structure, but you are saying none of the money out of this funding could be used for capital outlay, or that it should just be separate. Senator Waterman said it would have to be counted outside the foundation program, if you want a building or a gymnasium, you could no longer do it out of the general fund.

Senator Brown said what he believed Senator Waterman was saying was that if this bill doesn't make it, you want capital construction projects in school districts to have a way of funding apart from this, and that is why you want to keep it separate. She would also place a coordination instruction in this bill to make whatever we do in that area compatible with this if this bill passes. Senator Waterman said yes.

Senator Waterman said this was a separate issue, which she did not want to roll into this, that would be the first motion she should make. The second motion would be to have OPI come up with a mechanism that would segregate capital outlay costs. Ms. McClure said this could be lifted from 432 because it is done there.

Chair Blaylock asked Mr. Groepper to explain this to the committee, if Senator Waterman's motions go, could you make this work.

Mr. Groepper said he believed if the committee does what Senator Waterman is suggesting, we would have to look at it to be sure it was a coordinating clause or what, but essentially what they suggested in 432 was in the allowable expenditures in the general fund, if you are going to build a new gym, classroom or whatever, then that would have to be done through capital projects fund and subject to a vote. The same thing with the new bus purchases for districts that are running their own transportation program. That is not to say, if the boiler blew up or if you had a fire or something, when you got the insurance proceeds you could do it through the general fund, or do it in an emergency through the general fund, but plans for additions and new things for your school building, would be done through the capital projects fund. The only intent there is to keep those expenditures comparable, so when we look at general per pupil expenditures, which seems to be the test in litigation, we wouldn't have to go through and pull all these costs out. Yes, we can take the language in 432 that established those costs outside the general fund and make this work with a coordinating clause with 32. If 32 doesn't pass and these costs are still outside the general fund, in his presumption, they would be recorded in the current capital outlay structure we have now because they would not be allowed in the general fund.

Senator Stang asked Mr. Groepper a question. He said he had some school districts that have two unique situations. One is the Bonneville Power money, and a lot of districts are going to use that for capital outlay. The other is that he has a school district that stands to receive a federal grant of about \$1.5 million for capital outlay. He asked how that would fit into his concept. Mr. Groepper said on the federal grants, normally schools record those federal monies in a fund structure outside the general fund, and it would be no problem. Under the concept proposed in 432 for dealing with just Bonneville money, they had a year delay implementation date so districts could use that revenue within the general fund, or if they chose to put it into a capital projects fund, we allowed them to transfer that Bonneville Power Administration protested tax money to a capital projects fund. They also wanted to get that sort of revenue outside the general fund. Under the concept of 432 you would take the corpus of those Bonneville Administration funds and if you wanted to continue to use those in the general fund, they would become part of the general fund balance. If you didn't want to do that and wanted to put it in the capital projects fund, you were allowed to transfer those over. He did not recall anything in 667 that addresses those excess reserves, and may be a bit of a problem if you leave the current structure the same.

Ernie Jean said he would like to have the committee consider as they approach this as a capital outlay fund outside the general

fund for major projects is a very good idea. It is something they proposed last summer, but he would submit that every school district has a certain amount of remodeling funds in the general fund to maintain their building and they wouldn't want to go out and vote use of those funds. If you eliminate those funds from your general funds that would eliminate a district from being able to do their own remodeling etc. without going to a vote.

Ms. McClure said you can do that. Mr. Groepper said he appreciated what Mr. Jean was saying, but did not think their language in 432 contemplated that districts couldn't remodel or maintain or repair in the general fund. We specifically tried to address what we considered new construction.

Motion: Senator Waterman moved that HB 667 be coordinated with Senate Bill 32 and that OPI develop a mechanism for a capital projects fund to work within 667.

Senator Brown said we couldn't do this, but we can make the request.

Motion change: Senator Waterman moved that HB 667 be coordinated with SB 32.

Discussion: Representative Boharski asked what happened with a district that was getting bonus payments for consolidation. He asked if they could use that money to add on new classrooms. Mr. Groepper said if you adopt this language and a school district gets bonus payments for consolidation, he did not think that was enough to build a new building, but if building a new building, they would be restricted from using that in the general fund from building, so we would have to allow for mechanism so that in a consolidation payment that amount of revenue could be transferred to this capital projects fund to make the expenditure. We are not trying to stop schools from making expenditures, we are just trying to get those expenditures outside the general fund because they do terrible things to this per pupil comparison, and that is part of the problem with the litigation.

Representative Simpkins asked if Senator Waterman said within or outside 667. He did not think the coordination clause would be for the fund outside the parameters of 667 and coordinated with 667. He did not think you want to merge 32 into this. He was told it was coordinated.

Vote: The motion CARRIED unanimously, Senator Van Valkenburg was absent.

Ms. McClure said they need some clarification. If you coordinate, what are we coordinating with 32. Are we putting something in 667 and therefore 32 mechanism or what. When you coordinate you say "if this bill and 32 pass" something happens.

Senator Brown said when Senator Blaylock introduced SB 32, he did

not presume this kind of a proposal coming along. We are trying to make clear that if this new concept for funding schools does pass, we make sure it is compatible with how ever we pay for the buildings.

There was some discussion about not putting the language in 667 because they were not sure what would happen with it. There would have to be coordinating language in both bills in reality, and it would have to be prepared so that will happen.

Senator Waterman said the goal we are trying to reach is to equalize and that we are going to equalize within 667; capital outlay will be equalized, but it will be equalized within 32.

Senator Blaylock said the problem is what Senator Stang wants. He wants the weighted GTB formula to be in both areas.

Ms. McClure said their question was that they were asked to use the 432 mechanism and do they want it amended into SB 32 or do you want it amended into 667.

Mr. Groepper said they would suggest that the restrictions to the general fund be amended into 667 so that whatever this model looks like when you finish executive action, in the general fund of 667 you can no longer make these major capital projects and bus purchase expenditures. They would have to be for purposes of 667, in what is now the capital outlay fund. As he saw it, the existing language would have to be amended on the assumption that if SB 32 does not pass into the current capital outlay fund to make it look like what we proposed to capital projects fund, but with no equalization mechanism. If 32 passes, and it will depend on which equalization mechanism is in it, the coordination happens. In terms of this bill to stand alone, you just restrict general fund expenditures and make amendments to what is now the capital outlay fund or debt service fund to put those expenditures over there. That gets you down to 667 and lets you decide 32 on it's own merits.

Motion: Senator Waterman moved to put the concepts in 432 into 667.

Discussion: Senator Toews asked for further clarification as to whether they could still be allowed to move the monies and move them to capitol improvements fund, it isn't a restriction that can't be done, it just provides a mechanism to move it out of the general fund into the capital building fund.

Mr. Groepper said there are a couple questions in that statement. 1) can you take the money that you generate from the state through this mechanism in 667 and can you now spend that to build a new building. We would say no. That would have to be done in what is currently the capital outlay fund with a vote. He said Representative Boharski raised a legitimate question, if you had consolidation payments, or the Bonneville Power money, or some

extraordinary revenue that allowed you to make a choice to transfer those records over, we need to consider that question. Our bill considered it, but went about it in a different way, and we will need to reinvent this unusual kinds of revenue to allow you to do that. He did not believe the intent was to base the amount in 667 mechanism on how much money per kid and use that to make major additions to a school building. You could still use it for maintenance, repairs, etc. You could still use your reserves if you had a disaster and you had to replace something, but new construction would have to be done outside and you would not use your foundation amount to do that new construction. You would have to vote it, whether it be Bonneville Power, tax payments or other unusual kinds of revenues.

Senator Toews asked if this was also true with the excess funds at the end of the year, you could not take advantage of those. Mr. Groepper said it that is the wish of the committee, to allow schools to use an ending fund balance and make a transfer within their budget to capital projects fund, that is a separate issue as he saw it, and he did not think that issue had been addressed.

Senator Toews said he saw this as the same thing as part of this motion and he saw it as a restriction. Mr. Groepper said he was trying to step back from the deliberations of the committee and just provide advice, and their advice would be that you don't use this base funding for capital projects expenditures, that they would have to be done outside the general fund.

Rod Svec, Superintendent of Hardin, said in regard to the coordination of this particular part of the bill, if you would make sure the language is in there that allows each of them to be used in that separate fund it would help. There are schools that have utilized 874 money for capital improvement, have used it in their general funds, and this bill needs to have specific language to allow it.

Kathy Fabiano, OPI, said the language that is currently in HB 667 allows districts that receive 874 funds, to put those monies in a separate fund, an impact aid fund. That is a non-budgeted, non-voted fund, so they could use those monies for capital outlay, but it won't be in the same capital outlay fund that all the other revenue sources were expended for capital outlay.

Senator Stang asked if that is the same place the Bonneville Power (BPA) money is and Ms. Fabiano said no, the impact aid money only receives 874 money. The BPA monies follow the levies that, when the monies were protested, are the funds that were shorted that year and receive those monies now when they are distributed. The general fund would receive it's share of the BPA monies, only because of the levies that were levied in the general fund.

Senator Stang asked if this needs to be addressed somewhere in this bill if they want to use it for something other than the

general fund and Ms. Fabiano said if you want to take the BPA monies that were distributed to general fund levies out of the general fund and expend those funds in a capital outlay fund for capital outlay purposes, you would need statutory language to do that. The way we allow it now, unless it is specifically allowed by law, we don't allow districts to transfer money out of the general fund for another purpose. If you do that, you need to clarify whether that transfer has to be within the maximum budget.

Senator Toews said he would resist this motion, he believed it is too restrictive and to not be able to move excess funds out of your general fund for capital outlay is going to be hard on a lot of schools. He believed it was necessary to be able to move the money out, or leave language big enough so they could get it out there and you don't define new capital outlays too close. If someone chooses to run a tight ship and want to move these funds into a different place, he did not see why they couldn't do it.


Senator Waterman said one of the concerns has been that some districts ran a tight enough ship so that the money was not being spent on the kids in the classroom and that was one of the concerns made in testimony on equalization. She believed clarification of language was needed here. Some of us need to go to Finance and Claims and some to Taxation and asked if we could wait on this motion until we get some language so we know what we are really voting on.

After discussion it was decided the committee would meet again at 3 P.M. OPI was asked to draft the language Senator Waterman had requested.

ADJOURNMENT

Adjournment: 8:15 a.m.


CHET BLAYLOCK, Chair


SYLVIA KINSEY, Secretary

CB/sk

7AM

DATE 4/5/93

F08

Attach to each day's minutes

EXH1 - 4-5-95
HB667

School districts frozen

100%

4% per year increases permissive
by action of district trustees

increases in excess of 4% subject
to public vote

80%

4% per year increases mandated
by law

increases in excess of 4% subject
to public vote

⇐ Proposed

40%

OFFICE OF THE LEGISLATIVE AUDITOR

AT THE REQUEST OF THE SENATE SELECT COMMITTEE ON EDUCATION
TABLE OF INCREMENTAL STATE SUPPORT UNDER VARIOUS LOW SPENDER GROWTH
PERCENTAGES COVERING FISCAL YEARS 1992-93, 1993-94, 1994-95

04/02/93

04:18 PM

GROWTH

<u>PERCENTAGES</u>	<u>1993*</u>	<u>1994</u>	<u>1995#</u>
20% - HB667 COSTS	\$354,798,890	\$368,039,937	\$381,770,583
ADDITIONAL @ 33%	\$0	\$515,345	\$1,693,432
ADDITIONAL @ 50%	\$0	\$1,680,908	\$5,618,170
ADDITIONAL @ 75%	\$0	\$4,060,493	\$5,618,170
ADDITIONAL @ 100%	\$0	\$6,724,353	\$5,618,170

* FISCAL YEAR 1992-93 LOW SPENDER GROWTH HAS BEEN SET AT 0.

ANY ADDITIONAL STATE COST ABOVE THE 50% LEVEL BETWEEN FY94 & FY95 IS DUE TO
4% DISTRICT BUDGET GROWTH.

429
HB 667

OFFICE OF THE LEGISLATIVE AUDITOR
AT THE REQUEST OF SENATORS STANG AND BROWN
SCHOOL FUNDING ANALYSIS
SPECIAL ED ANB: NOT INCLUDED FOR FY94; INCLUDED FOR FY95

STNGBRN96.WK1
04-Apr-93
06:14 PM

	RESTATED FISCAL YEAR 1992-93		
	CURRENT HB 667	H.S. STOP LOSS 800; WTD GTB	DIFFERENCE
FY 93 STATE SUPPORT	\$383,833,738	\$383,833,738	\$0
NEW STATE SUPPORT	\$356,424,811	\$356,452,954	\$28,143
STATE SUPPORT DIFFERENCE	(\$27,408,927)	(\$27,380,784)	\$28,143

	PROJECTED FISCAL YEAR 1993-94		
	CURRENT HB 667	H.S. STOP LOSS 800; WTD GTB	DIFFERENCE
FY 93 STATE SUPPORT	\$383,833,738	\$383,833,738	\$0
NEW STATE SUPPORT	\$368,039,967	\$368,509,336	\$469,369
STATE SUPPORT DIFFERENCE	(\$15,793,771)	(\$15,324,402)	\$469,369

	PROJECTED FISCAL YEAR 1994-95		
	CURRENT HB 667	H.S. STOP LOSS 800; WTD GTB	DIFFERENCE
FY 93 STATE SUPPORT	\$383,833,738	\$383,833,738	\$0
NEW STATE SUPPORT	\$386,503,342	\$386,960,531	\$457,189
STATE SUPPORT DIFFERENCE	\$2,669,604	\$3,126,793	\$457,189

7AM

DATE 4-5-93

SENATE ^{Sub} COMMITTEE ON HB 667

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One Support Oppose	
ERNIE JEAN	SAM Florence-Carlton School	H667	X	
Don Waldron	MREA	HB667		
DOUG MELTON	OLA	HB667		
Dustin Hill	Seobey Schools	HB667		
Tim Andersen	Ostrip Schools	HB667		
Ken Halverson	Opheim Schools	HB667		
Sydney Brannon	IISM/MASBO	HB667		
Carl Knudsen	SACO SCHOOLS	HB667		

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY