

MINUTES

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

SUBCOMMITTEE FOR SELECT COMMITTEE ON SCHOOL FINANCE

Call to Order: By Sen. Chet Blaylock, Chair, on April 6, 1993,
at 3:17 p.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:

Subcommittee action on HB 667

DISCUSSION:

Chair Blaylock said he and Senator Brown were talking and he believed it would be helpful to the group to, in effect, say where we had been in this bill. He had asked Ms. McClure to give a quick run down of what we have done so we will have a sort of over-all feeling of what we have accomplished.

Ms. McClure handed out a summary of action and read through them for the committee. (exhibit 1) In addition she explained the ** Note on page 1 and said when we phased them down over 5 years, the House had put in the first year would be a permissive vote, 2nd year a vote of the people. We did not change that, and if they are frozen you might want to revisit that decision to decide what they would be voting on. The first year it is obvious it

would be permissive and they would vote to stay at their frozen level. She said on page 2 (9) there is one error. There was an official motion vote on changing enrollment that Ms. Quinlan presented, so that was a decision we will draw up amendments on. You did not make a decision on the Gage suggestion that we look at reduction factors of \$.50 and \$.20. For staff needs, you need to clarify how you want to do those frozen districts, whether there is still a vote, whether it is permissive or whatever, and we should possibly look at the House cuts.

Senator Waterman said she needed two clarifications. Under capital outlay, she thought Ms. McClure was correct that we did coordinate it with SB 32. She was concerned that if SB 32 does not pass, in addition to our real problems, we would have problems within this bill because we have told people they cannot build out of their general fund budget. This means we have not given them any option if they can't bond. She thought perhaps we need to go back and add contingency language that says that removing that capital outlay from general fund is contingent on passage of SB 32. If we do not do this we have some districts that are really in a box, with no bonding authority and new kids next fall, they couldn't buy a modular or do anything.

Senator Stang said he would like to revisit SB 32 also, he thought perhaps SB 32 should be amended, in the form it left the Senate, into this bill. He said it is imperative we help some of these school districts that cannot sell bonds. Maybe just for strategic reasons in case it runs into trouble in the conference committee and we cannot get an agreement, we should amend it into this bill. It does give us another shot at it in this bill. If this bill dies, we still have SB 32 out there to work on. If SB 32 dies and this bill dies, we are in trouble, but this would give us two shots at SB 32 which is a real important issue. Some of the schools he represents, more than anything, wanted to see SB 32 pass even if we did not do anything else. Their real issue was SB 32 and the bonding and he had the fear that if it was not amended into this bill we might run into trouble with 32.

Senator Waterman said she would like to go back and visit the vote on the "frozen" issue. She believed we needed to talk about that.

Mr. Tom Biladeau asked Senator Stang if PL 874 has been taken care of. Ms. McClure said Ms. Brannon had just handed her an amendment and she would ask Ms. Brannon and OPI to address that later on.

Senator Toews said he believed it was necessary to also look at the protested taxes that are being paid over a number of years. A number of schools did not take it all in one year, and if they are getting paid over a number of years he did not believe they would have the opportunity to move those through the system and back into the building project they have opted for.

Senator Stang said he was also interested in the protested taxes issue. He represents a lot of schools on the Bonneville Power BPA) line and he is not sure they haven't put them in a box in this bill.

Chair Blaylock said pursuant to a conversation with Senator Brown, in regard to being clear in our mind, he had asked Ms. Quinlan if she would go through and as best she could, lay out for us where we are vis-a-vis 667 and our total state budget. Nearly everything we are doing here is either costing money, saving money, shifting money or whatever and he believed it would be wise for us to say "this is about where we sit as a state in this huge problem of funding the K-12 school system for the State of Montana".

Madalyn Quinlan said she was not able to put this in the context of the entire state budget. She went to the LFA and tried to get some information on other bills out there and they have not started putting those kinds of sheets together yet for the end of the session. She started with the fiscal note for this bill as it came out of the House and then looked at the total expenditures under current law, the expenditures out of the state equalization aid account, given HB 667 third reading and then showed that for both '94 and '95 and handed out a sheet to the committee. (exhibit 2) Ms. Quinlan said the top half of the sheet should look like a new fiscal note as you are used to seeing them. In the lower half of the sheet, she had looked at the actions by the subcommittee and these are the approximate costs of the individual actions. She gave the example of requiring that districts reach the 80% funding level in three years instead of five years, created an additional cost of \$.5 million next year. She said as the committee went through each of these actions, she would caution that the stacking order is important and gave the example of if ANB based on enrollment had been calculated prior to some of these other changes, it would have looked less expensive. She said the Auditor had run some numbers earlier that said it was \$4.8 million in the first year of revising the enrollment from the current ANB to an average of enrollment. This would be \$4.8 million versus the \$5 million shown here. This spread sheet says, given the actions of the subcommittee so far, it is \$3 million short, given the money that is available in the state equalization account in '94 and we are \$13.5 short given the money that is available in the state equalization account in '95. There are two things that are not counted in here yet. One is special ed funding and how that will work in here and the other thing is that this is still assuming that the GTB level is set at 195% of the state taxable valuation and she believed the committee has already talked about lowering that number. This is still at the high number and whatever you settle at, the short fall numbers would be reduced by that. She said Curt Nichols also worked on these numbers.

Curt Nichols said these are run off the Auditor's model and he believed they were accurate.

Chair Blaylock said he had asked Mr. Gillett, on the weighted GTB, to run a sheet on the actual millage, rather than working off these percents because we did not know what these different percentages were and what they were driven off of, and that makes a difference.

Mr. Gillett said they did this on the retirement fund, not just the actual changes, but the actual current mill levies. (exhibit 3) He said this sheet is much the same as the committee saw earlier this morning except that would be current fiscal year of '93 mill levies to support retirement and the recomputed mills under the weighted GTB system. The first two mill columns, (example) the level 1 schools for Beaverhead County go down from 17.94 to 17.44, their subsidies under weighted GTB, go up from \$132,084 to \$139,769 and under the weighted system their mill levy goes down by 1/2 mill and they receive an extra \$7,686 on the weighted GTB. He said this basically does that for the elementary and high schools for each county.

Chair Blaylock said Larry Fasbender who represents the Great Falls school system and is very familiar with this, has done some work on this since our meeting this morning. He asked Mr. Fasbender to explain.

Mr. Fasbender said after the motion was made this morning to go beyond just general fund and look at weighted retirement and also weight the capital outlay, he became a little concerned as far as his district was concerned.

Mr. Fasbender had looked at the amount of retirement mills we were levying in 1993 and also looked at the sheets the Fiscal Analyst put out that showed the increases or the decreases that were going to be experienced by the different school districts and counties in the state. One thing that is rather significant, while not consistent, in a lot of cases where you are looking at school districts such as Great Falls, that have a very high or fairly high mill levies right now county wide to cover their retirement, you are increasing those districts. In other districts where the amount is not that high, you are actually showing decreases.

Mr. Fasbender said this doesn't run the same all the way through, it varies, but generally from what he has been able to look at so far, the school districts that are already levying quite a lot for retirement are the ones that will have increases. He was not sure that was the intent or what you expected to happen by weighting the GTB. In Great Falls, by the time you weight the GTB for both general fund and retirement, we increase 11.65 mills over what we were before you had the weighted formula in there. On top of that, an area like Great Falls is already levying around 280 mills. (he thought 270 mills since 13 mills are out of that because they had a large amount of reserve money that went in to reduce their permissive last year) In looking at this, without a chance to spend a great deal of time going

through and doing some sorting to really find out what is happening, he thinks the committee may want to revisit whether they want to standardize the weighted GTB and apply it to all the categories they did. There may be some argument made for doing that with the general fund, he was not sure the committee ought to go ahead without doing a lot more work to find out exactly what is happening.

Mr. Fasbender suggested the committee may have to revisit taking a look at non-levy revenue again. Great Falls is not affected a great deal when we look at these things individually, but when you look at them in their cumulative basis, it changes things substantially. Non-levy revenue, for some districts like Savage, which was concerned about the fact that they were going to be hit, you have to look at the fact that to begin with, they were only levying 65 mills in their high school and 65 mills in their elementary, so they are very low in their mill levies to start out. He would not argue that the percentage increase is rather significant, but you have to look at where they are starting from before you get too concerned about what sort of increases they are experiencing. For that reason, and though he had not had a chance to look at the sheet that came out here, he believed it reflected much the same thing. When you look at some of those large school districts in the state of Montana who generally have fairly high mill levies right now, and look at the hit they are taking, he was not sure that was the appropriate thing to be doing if we are looking at some tax equity.

Senator Stang asked what the mill levy increase was for Great Falls elementary and high school. Mr. Fasbender said 11.65%, with retirement. Senator Stang said that is the 800 stop loss, general fund and retirement. Mr. Fasbender agreed and said in '93 they were already levying almost 31 mills for retirement and this would increase that another 3 mills. If you look at an area like Blaine County which levies basically 13 mills, and the reduction they are experiencing is about 1 1/2 mills, there is something wrong with a relationship like that as far as he was concerned.

Pat Melby said he would echo what Mr. Fasbender had said. While there may be some argument for using the weighted GTB in the general fund, and they were not arguing against that, there is a real problem in applying it to the retirement funds and also to capital outlay. Capital outlay, simply because we don't know what that will look like nor who is going to be issuing bonds or whatever. When you look at retirement, as Mr. Fasbender pointed out if you are looking for taxpayer equity, and that is what the purpose of applying weighted GTB to the retirement fund is, as a general rule it works the opposite of what you want it to do. The county he could see in there that was an exception is Petroleum County. If you look at the other counties that have an increase in millage under applying weighted GTB to retirement, they are the ones that already have real high mills in the state and those that are getting a decrease already have real low

mills. He would caution the Legislature, at this time, in applying weighted GTB to retirement and capital outlay. As Mr. Fasbender said, perhaps it is something that needs to be taken a look at, but applying it at this time does the opposite of what the legislature wants to do.

Senator Stang asked Mr. Groepper a question. He said this morning when we did this, we discussed the difficulty in figuring it two or three different ways. If we were to leave the GTB for retirement and capital outlay separate and calculated under the old method, and do a study on the cost associated with the retirement, non-levy revenue and this "deal", would it make a great difficulty for the OPI to fix up the forms and do this when you have two different methods.

Mr. Groepper said the fewer things you change, the less work we have to do. If your question is, can we do one kind of GTB and leave alone GTB for calculating retirement, then we don't have to change any forms for retirement or change our GTB calculation. He did not believe that causes a problem. He thought what Jan Thomson was trying to say the other day when we talked about this was that if we going to certify mill value for retirement, elementary and high school to school districts and it is done one way, then certify a different mill value done a different way and some of the districts that haven't been in these rooms during the course of these deliberations, aren't going to understand why there is a different method and they would just have to take the time to tell them. It is actually less work if you don't change retirement because we can just use what we have already pushed out to the school districts.

Senator Stang said, then it can be done and it will not "kill anybody". Mr. Groepper said anything can be done and he did not think they had "killed" anybody yet with paper.

Motion/Vote: Senator Waterman moved for reconsideration of committee action on weighted GTB. Motion CARRIED, Senators Hertel and Van Valkenburg absent.

Motion/Vote: Senator Waterman moved we not use weighted GTB for retirement and capital outlay and use the existing GTB for those as opposed to the weighted GTB. Motion CARRIED, Senators Hertel and Van Valkenburg absent.

Senator Stang asked OPI if we put some language into this bill to make you report back on the effects of weighted tax base on retirement, and capital outlay and even different portions of the non-levy revenue, would you have the resources to do that without having to get more FTE's. Mr. Groepper said we have a statutory requirement to make a report every 2 years to the Legislative council on the effects of equalization etc. He believed what was being asked is, would they include in that report analysis of the impact of capital outlay etc., we can do that. He reminded the committee they would have only one year, which will be a year

from this summer. Then we will have to get that information into the computer and do the analysis in time to get it to you in the legislature. He said time is the problem with the changes. By the time the reports follow up the actual implementation of the bill, we are leaving ourselves a window of about 2 months to analyze the information and get it to you by the time you start the '95 session.

Senator Stang asked if they need direction to do that, or do you think that will naturally follow as a part of your study. Mr. Groepper said, in his experience, it is always better to tell us what to expect. In case something happened that we were not here and somebody came behind, they would at least have that direction. It is one thing to operate on the faith of those of us standing here that we intend to still be here, and we do, but if you want to leave a record of what you would like us to include in that report he thought they would be well served to put it in the bill.

Senator Waterman said she was impressed with the group they put together on special ed and she thought it was that sort of background information we need on this. The mechanics of how you do that, as to whether it is done internally or put together a group, is up to you but she would rather have a group of educators and folks from OPI putting together that information than having the Legislature doing it. Mr. Groepper said if that is what you have in mind, and that is probably the only way you will get a real impartial look at how well the work you are doing this session has taken effect, but when they did the study for special ed, they had some federal money and used it to travel these people around the state and brought them in with federal resources. If you envision that kind of study, he would have to say to Senator Stang that we would need to have some kind of appropriation, and he could get a dollar figure on it, to cover the travel and per diem for these people coming to the meetings. He did not think the committee would expect them to travel on their dime, and he knew they will not be able to travel on OPI's after we get through with HB 2. We brought those people in four or five times (Ms. Nielson said at least six times) so they would need some sort of ability to bring some group of people in. We would need an appropriation if that is what you have in mind.

Senator Waterman said it seemed to her that when we come back in the next session, we need some sort of evaluation of the glitches that are in this bill that need to be worked out, of the non-levy revenue and weighted GTB tax basis. She would at least like to see a figure of what the cost for that travel would be. That would give us the background we need to shape this up the next time we come in.

Chair Blaylock said that could not be done in this bill, it would have to be done in the House.

Senator Stang said when we get off this bill he would make a

suggestion that we do as we do in some other committees and write a letter to the OPI that directs them to gather this information and make it a separate part of their report or whatever. He thought they could do it without travel since the superintendents travel all over the state and if they are interested in what is going to be done to their retirement and their non-levy revenue, their school district will probably pay to send them up here to keep an eye on it anyway. He thought perhaps the House could throw that into the conference committee.

Chair Blaylock said if this is to be a committee that is expected to meet several times, they will have to have some money since he did not think we could ask people to come in entirely on their own.

Capital Outlay

Chair Blaylock said revisiting this section was in regard to whether or not to, in effect, put Senate Bill 32 into this bill.

Motion: Senator Stang moved to incorporate SB 32 as it left the Senate into HB 667.

Discussion: Senator Stang said the reason he had brought up when this was discussed was that he believed it needed to be there for a little insurance.

Senator Toews asked what would happen if this bill doesn't pass and Senator Stang said then the part of 32 that is in this bill doesn't pass, but SB 32 will. If they both die we are in real trouble. Senator Toews said if this passes and 32 dies, we can still sell bonds, otherwise you have Whitehall and those sitting out there with no bonds.

Senator Waterman said speaking in favor of the motion. We have to do something in favor of capital outlay. If we don't do something about capital outlay, regardless of whether we pass an equalization bill, no one out there can sell bonds and we have schools that have passed levies and cannot sell their bonds and we will be back here in special session. She said she believed it imperative that 32 in some form passes and was not at all confident it would pass standing alone. We run the risk that this bill will die and 32 will die and then we are back in a special session.

Senator Toews said he would have to vote to let 32 stand by itself. Senator Brown said what concerns him is that we all understand 32, in some form needs to pass, and he thought it would, but if we put that in here we make the fiscal note on this bill look \$2 million worse than it does. Essentially we would have two bills with fiscal notes, SB 32 and HB 667, both in conference committee someplace. We only have to count it once, but it still shows up here. Ultimately he believed it would pass and would be counted once, but he thought it made this bill

tougher to sell.

Senator Waterman asked if the funding for SB 32 doesn't come out of the school equalization account and Chair Blaylock said he thought it came out of general funds.

Senator Waterman said then we are taking \$2.2 million out of the school equalization account. We amend it in here that we take \$2.2 million out of the school equalization account, you are only going to fund it once and it is all coming out of the same pot of money whether it is in HB 667 or not.

Senator Stang said when this gets back to a conference committee and SB 32 is in one, we don't know what will happen to it. He said he doubted if the House will accept our amendments on 667 without putting it into a conference committee because we are going to want to sit down and revisit with the House what we did with 667. If somehow, between now and the time the conference committee meets on 667, you have reached an agreement with SB 32, it is no problem for the other conference committee to take it out of here. If you can't reach an agreement, you have another shot at it in here and he believed we needed a double shot.

Senator Brown said he believed it was as easy to put it in at a conference committee as it is to take it out, but he believed the votes were here in the committee to put it in.

Vote: The motion to incorporate SB 32 into HB 667 CARRIED, Senators Brown and Toews voting no, Senators Van Valkenburg and Hertel absent.

874 monies

Lynda Brannon said she, Kathy Fabiano and Gregg Groepper sat down last evening and came to the consensus that you could possibly use the 874 against the 80%, but they would be limited to an 80% budget basically if they had no tax base and could not use 874 above the 80%. They would have to levy the average of the prior year permissive mills.

Ms. Fabiano said basically, the policy decision before the committee is whether you want to allow districts to use 874 in the 80% area in place of a mill levy that would be subsidized by GTB aid. If the decision is to put the 874 money in the 80% area federal regulations will require you pay GTB on the amount of 874 used. Another policy decision you may have to make is, do you want to require some minimal taxpayer effort before you allow the 874 money to be used in that part of the budget. Any expenditure of 874 outside that 80% area would be done in the impact aid fund and outside the general fund.

Chair Blaylock said then we could take the 874 money and put it all into the 80% level and below in those schools. Ms. Fabiano said if you pay the GTB on the 874 you use in place of permissive

mills in the 80% area. She said they had agreed that is the only place you would allow 874 in the general fund. The other expenditures of 874 would be outside the general fund for any purpose the district chose in impact aid fund so those monies would not be subjected to the caps in the general fund.

Senator Stang said below the 80% level we can't subject those 874 schools to the caps so they could automatically go all the way to the 80% level and there would be no way to restrict their growth as we have the rest of the schools. Ms. Fabiano said they would be subjected to the same caps in the general fund that everyone else is. The 874 would be transferred in as a funding source within the 80% area, but only within that area of the budget and it would be transferred in place of mills levied to fund the minimum budgeting. She gave the example of a district where the budget is at the 70% level, they don't want to levy mills on their taxpayers within that 70% so they choose to transfer in some 874 money to fund the local effort in that part of the budget. Whatever they transfer in of 874, you have to pay GTB on. She and Ms. Brannon and Mr. Groepper had discussed that perhaps you would choose to have some minimum taxpayer effort before you allow them to use 874. We talked about requiring they deliver the average number of permissive mills levied by districts in the prior year. By March 1, we would report to the district what the average mill levies were by district, state wide, in that 80% area of the budget. The district that is funding 70% would have to first levy those average mills in the 70% area, we pay GTB on those mills, then they would transfer 874 funds to fund up to that 70% and we would pay GTB on those 874 monies as well. If they want to grow the 4% within that area they could still grow the 4%, the 874 is just one more funding source to fund that 4% area if they chose to use 874 instead of levy the mills.

Ms. Brannon said as she understood as they come up with this, the 874 districts would be under the same rules as everybody else for those who fell below 80%. They would be subjected to the same growth caps as everybody else under 80%. After they have once calculated out how much they had to levy so that the net base amount that would be left over after they calculated out the GTB subsidy from the state, they could backfill some or all of that levied portion because of the limited number of taxpayers.

Senator Waterman said they would have to levy the state wide average mills. Ms. Brannon said yes, they would be subjected to the same state wide average permissive mills from the prior year.

Senator Waterman asked what happens above the 80% level. Ms. Brannon said they will not be on impact aid funds or their voting, so they are not subject to the same caps as everyone else as long as they use impact aid money. Ms. Brannon said off in another fund, yes.

Mr. Groepper said within the general fund, he did not think

anything we talked about would suggest we create a separate set of rules for 874. Because of the problem of having to keep track of these monies, if they spend above the 80% up to the 100%, and they bring in 874 money and don't spend it all we have to go through this gigantic accounting nightmare to keep track of the 874 percent which was or was not spent. Our solution to this was for the 80% on above, just let the Indian impact district spend out of the Indian Impact aid account, then they can spend it on whatever they want without any restrictions on the general fund for whatever purposes they got that 874 money. In no way would you restrict them from spending their 874 money. You brought it in, and the way the bill is constructed right now, they are subjected to voting to spend it etc., which he did not believe any of the 874 districts really want to do. He said they do appreciate what Ms. Brannon has brought up about how to accomplish this to get districts up to the lower threshold. Once you decide what you want to do here, he thought they were okay with the concepts.

Senator Stang asked what happens to the 874 districts now under HB 28 when they're looking to the GTB. Do they use their impact aid money rather than levy the votes to bring it up. Ms. Fabiano said under HB 28 there is nothing that says they can not. They don't figure taxes on the 874 in that 35% area of the budget. In the forms we use, we can not tell if they are using it in that area. There are a couple that we know are, but by using that 874 in the 35% area, they are foregoing the GTB, and that is what the Dept. of Education is telling us no on, that is a violation of federal regulations.

Senator Stang said then they are not levying the mills, instead of levying the mills they are using the 874 money. Ms. Fabiano said right, and they are not getting GTB on it. Senator Stang said then the Dept says we can't do that. Ms. Fabiano said that is right.

Chair Blaylock said the first decision before us is, as Ms. Brannon suggested, do we want to allow the 874 impact aid schools to use their 874 money below the 80%. Following that decision it will take the second decision as to whether we want to subject the one taxpayer to also participate.

Motion/Vote: Senator Toews moved we allow the 874 schools to use their 874 money below the 80% to be matched by GTB. Motion CARRIED, Senators Hertel and Van Valkenburg absent.

Chair Blaylock said the next decision is whether we want to subject the one or whatever taxpayer to the average of the prior year state wide permissive levy.

Senator Stang asked if this would get us into trouble with the federal government by requiring them to use the minimum of the statewide permissive levy average, or do we know that. Mr. Groepper said he did not think we know whether that would get us

into trouble with the PL874 regulations, but given one piece of litigation that the Dept. of Revenue is looking at right now, we are fearful if will get us into trouble if we don't. You have equal protection constitutional guarantee in what you are setting up. You are not just setting this up for the three school districts Ms. Brannon is talking about, you are setting it up for 120 plus schools. If you don't have some average effort that has to be made by these districts on their own taxpayers as a condition of helping out the 874 districts, then you have created, for taxpayers in some districts, not to have to levy any mills to pay for what the constitution guarantees as education and somebody across the street has to levy a whole bunch of mills. He knew for a fact there is one law suit out there on the Dept. of Revenue that is raising that very issue as it relates to the mills for oil and gas. If you are going this way, you need to have some sort of effort there so you can argue and defend the issues that are going to be raised.

Ms. Brannon said since this method does not reduce in any way, fashion or form, any state aid, they cannot see on the surface how we can have any conflict on what is currently on the books in federal law.

Motion/Motion: Senator Stang moved we require a minimum tax base on the state wide average of permissive levy from the previous year. The motion CARRIED, Senators Hertel and Van Valkenburg absent.

Chair Blaylock asked if we have to do anything between 80 and 100 and Ms. Brannon said no, she would agree with Ms. Fabiano that it does make an accounting nightmare with the way federal law works. It would be much simpler to avoid this and just keep it in the other fund.

Chair Blaylock said if they can use the money in there, is there a danger that we will have a misuse of money as has happened in some of these schools. Ms. Fabiano said the danger stays the same.

Senator Waterman asked someone to review for her how the budget caps above the 100% worked when this bill came over to us. We didn't force them down, we froze them, but was it voted or permissive.

Andy Merrill said it is easier to look at the title of the bill to figure out what happened. She referred to page 2, lines 11-13 and said on the House floor when Rep. Kadas amendments on the 90% were done, it was changed to one year you would freeze, you would be exempted from voting for one year, not 2 years. When we did your amendment the other day, we just left in the one year exemption, but you could choose to do 2 years, 3 years or whatever.

Senator Waterman said as it now stands, districts above 100% are

frozen, they are not forced to spend down and for the first year they do not have to vote, but after that they have to vote anything above 100%. Andy Merrill said yes, but there is a budget authority and it is not going to move unless they want to drop it down below. They will not be increasing. This whole bill is built on budget authority; you go to the voters for your budget authority, not just the cash or the mill levies. Their budget cannot move except to move downward, and the question is do you want to make them go to the polls to vote on a budget that is not going to move anywhere but down.

Senator Waterman said her feeling is that they should have to vote it because everybody else is having to do so. She felt it was ludicrous to require people below 80% to have to vote and not require a vote of the people above 100%. She assumed they would get voter approval, but it seemed that to have the only voters who do not have to vote a levy be the high spending districts, it is crazy. She said the fact that they have to vote is the trade off for freezing rather than spending down. If their voters won't approve it, they have real problems since it will not cost them any more money.

Senator Stang said he tended to agree with Senator Waterman, and thought it was better to have it voted because those people that are in those high spending districts should know they are in a high spending district. If they still want to support their school at that level, that is great, but maybe they need to know their school is above the 100% level.

Carol McElwain, Butte, District # 1, said she was a trustee and they were holding their trustee election today with no voted levy, waiting to see what you decide for us. She said they appreciate the freeze, it really helps them in Butte. If you want us to tell you we are a high spending district, we will tell you that, we know that we are, we have dealt with that with our teacher mediation and recently with the strike. In the next 2 years, for us to tell the people in Butte "you will receive nothing more for 2 years, 4 years, 6 years or more will not set well with the voters. For us to go to our people and tell them we are going to keep cutting them, we are going to make the students in our district move around to equalize, and we will have to do that, she knew. She said they have 9 unions with which they have to negotiate, 5 of which come up next year. Of those the two largest, are our teacher's union and our administrator's union. We will have to be negotiating with them with a freeze. We will have to negotiate with the teachers with a freeze. We will have to negotiate with the parents about flat rates with a freeze. We will have to talk to our taxpayers who will receive no more services, and to our teachers. We are now in the process of notifying 100 teachers now that their jobs are on the line. even with 21 teachers that are retiring. She said they had two administrative positions they did not fill this year, and did not replace them because we knew we were a high spending district. They are now in a huge controversy about

boundaries and they are also negotiating contracts. She said in Butte they will vote against a mill levy because of a band not being in the parade, or because it is in the parade. They will vote against a mill levy right now no matter what, because they are angry. They will be angrier when we say no more money. She said they need at least two years to get Butte equalized. They have so many controversies going on and need at least two years to get themselves stabilized and at least show the people in Butte we can be responsible taxpayers.

Chair Blaylock asked if she wanted the authority to have permissive levies for two years to stay where they are and do not want to vote it for at least 2 years. Ms. McElwain said if they are going to be frozen in 2 years, they will have to deal with all this controversy they need at least 2 years to try to get things balanced out.

Chair Blaylock asked for clarification, he said Ms. McElwain had said they had a boundary dispute and asked how they could have a boundary district with themselves. Ms. McElwain said what happened to Butte over the years is that it has been easy to pacify parents if you have a school across town with 15 students and 32 on the other side. It is easy to add two teachers in the 32 pupil school rather than to equalize and change students from building to building.

Senator Stang said he has a number of schools districts in his district and Ms. McElwain has just described every one of them and every one of those districts will have to go to their voters if they want to come up to the 80-100% level. He could not see why one or two school districts in the state need to set a precedent for everybody else in the state. He believed they need to vote the levy, they are going through the same problems every other school district in the state is going through. It is unfortunate, but that is the way it is out there in the real world.

Ms. McElwain said in Butte, their voted levy is one third of their budget. It is \$6 million and if they didn't get that the kids in Butte would not be getting an education and they will be frozen for the two years and cannot give them anything else for that.

Senator Waterman asked what the amount for Butte was between the 100% level and where you are, how much above the 100% level are you and Ms. McElwain said 6% in the elementary and in the high school about 9%. Senator Waterman said that was what she was talking about voting. At a minimum you have to vote above 100%, not the whole third of the budget, and Senator Stang said that was also what he was talking about, that part over the 100%.

Mr. Biladeau said all of you have already heard from the Superintendent of Hardin or Colestrip. We have had this general discussion about equalizing up or down and if one goes this

route, the practical impact is that we will see a good number of levies fail. We will see those fail just as surely as he thought this motion will pass. The impact of that on those districts will be devastating. To the degree that this bill continues an over reliance on property value to fund it, to the degree the state refuses to put more money into the base, to the degree that the base does not come up by some degree of COLA (cost of living increase), you are going to commit those high spending districts to budget down and that will eliminate programs and adversely impact the quality of education we are offering to some students. Those students have already been found by the Court to not enjoy a frill education, but a quality education. This does not make good sense.

Senator Brown asked if this bill has been amended to the form it is in now before it left the House of Representatives in regard to this. Representative Boharski said the way the "negotiated agreement" in the House was passed, the reductions in the budget, the 0%, 1%, 2% etc., we agreed to go with 2 years of permissive, but then when Rep. Kadas put in his amendment on the House floor it returned to only 1 year of permissive and now he believed if the House Select committee would have frozen the budgets over 100%, he did not think they would have put 2 years of permissive in it, he thought they would have left it at 1 year.

Representative Kadas said he agreed with Senator Waterman and would go further, he would provide for some voted levies between 80-100%, but you have decided not to do that. You at least ought to have voted levies above 100%.

Senator Brown addressed a question to Ms. McElwain saying she was telling the committee if she had two years to freeze that it would soften the blow for you considerably and you don't want to have what would amount to a freeze for one year. He said he was not sure, but what happens in the second year. Ms. McElwain said they would stay frozen again.

Senator Waterman said she would expect her back in three years asking to not make you vote it again because your voters are going to be real mad by then because you are going to have to cut programs.

Senator Brown asked what we gain by making their voters mad and Senator Waterman said she was just repeating what was said. She was saying why would we require a vote of people who are spending 60% of the maximum and not require a vote of those that are spending 140% of the maximum. At this point, the only people that are required to vote are people who are not spending what we believe they should spend for quality education and yet we will not require a vote of the people who are spending half again as much.

Senator Brown said he believed it was necessary to recognize the practical effect of this. If we are hurting people and there is

a way we can lessen the blow and help to bring about a reform he believed it should be done instead of talking how academically they are below "this" level we ought to cause them to vote at "this" level. He asked what happens if it doesn't make good sense.

Chair Blaylock said he remembered when Senator Brown was quite passionate about below the 80% and we were talking about allowing them to go up permissively. Senator Brown said he thought a mistake had been made because we are spending too much money there as he looks at this. Chair Blaylock said, but you wanted to vote it there. Senator Brown said he was not hung up so much on a vote as trying to hold the fiscal note down on this thing.

Senator Stang said he has spent a lot of time in Butte and it is hard to speak for the voters in Butte, but the people in Butte seem to take really good care of their kids. They have some of the nicest parks, they have little ice skating rinks in every community and have taken good care of their kids. He believed the people in Butte would keep taking care of their kids in Butte. The kids in Butte are probably the most important asset to that town and the voters may be angry, but if they understand they are frozen at this level and that if they don't vote this levy in their kids will not get to do some of the things they are doing, he would bet those people in Butte would vote to keep that levy there. The kids in Butte have always been the most important thing to the people in Butte, they would do away with a lot of things in Butte, but he believed they would take care of their kids.

Ms. McElwain said if Senator Stang's argument is correct and you honestly believe the people in Butte would take care of their kids, then what's the problem. Let's do it just permissively and let us take care of it there without having to expend energy for the education of the students rather than have to try to pass the levy.

Senator Stang said he would respond by saying we are asking everybody else who takes care of their kids to do it with a voted levy, let's ask Butte to do it with a voted levy for consistency.

Chair Blaylock said he believed one of the successes of this committee is the fact that we have had such good participation by people, not only at the table, but those that have attended faithfully and contributed a lot.

It was pointed out there was no motion made on this issue since nothing was being changed, and it would stand since it would take a motion to change it.

Enrollment

Chair Blaylock asked Ms. Quinlan if she had the figures on enrollment and she handed out a sheet. (exhibit 4)

Ms. Quinlan said the piece she handed out shows \$5 million. The numbers the Office of the Legislative Auditor (OLA) ran were about \$200,000 lower than that each year but these are the figures that Curt Nichols calculated. The ball park is for this \$5 million.

Senator Blaylock said \$5 million a year, the ANB based on enrollment, more than we are doing now.

Senator Stang said he had a Superintendent call him and he was livid that we had moved this to enrollment instead of attendance. The people here seem to be in favor of doing it on the enrollment basis on the 2 days, dividing it by 2 and averaging which seemed to account for increases in your school during the year. He asked why would he say that attendance better accounts for the increase. Ms. Quinlan said first, if you base it on attendance, you are taking a daily enrollment count and every day that a kid is there (for instance 3 months during the legislative session), they will be counted in that attendance count where they might not be counted if they are not there on October 1 and not there on February 1, they wouldn't be included in the ANB count we are proposing. The other reason a district might not like this is that if they have declining enrollment we will catch up with this. Senator Stang said this district has increasing enrollment and Ms. Quinlan said then it should work for their benefit.

Dori Nielson said she had some letters also, and thought she knew the answer. They seem to think we will discount them for getting the 7 PIR (Pupil Instruction Related) days and that is a concern about 3 of them had when they talked to her. This does not exclude the PIR days, they are still added on top of it. That might be what is concerning them.

Senator Waterman said the thing she liked about this is that districts have always had to keep track of enrollment every day and there is provision that if you are gone more than 10 days you get dropped, etc. and it is a calculation nightmare to keep track of enrollment. This seems much simpler and many states do an enrollment and have a contest to make sure the kids are there on that day.

Senator Stang said enrollment means the kids enrolled, it does not mean they have to be in school on that day. If half the kids have gone to a basketball game on February 1, they are still enrolled. ANB is based on the number of days they are there, minus their absences and then calculated and divided by the 100 plus days. Wouldn't it stand to reason that their enrollment on October 1 is probably going to be one of their highest days and February 1 probably much different and would possibly be down a little but not their lowest.

Ms. Brannon said in answer to Senator Waterman's statement, she believed even though the count would go to enrollment on 2 days, keeping daily attendance is still going to be necessary and she

believed in the scenario Senator Stang gave, she believed that is what they are upset about. They don't give up one for the other, they are just adding on top of what they already have.

Senator Waterman asked why they need to keep the attendance record if we are going to enrollment counts. Mr. Waldron said you have to keep enrollment so you know what your youngsters are doing and to report to the parents. You would not have to file a report to the state, and personally he did not see a big problem in taking that one away. He believed it would be easier for the auditor. When you audit the ANB, this might be an easier way to have the audits come out without discrepancy which would be an advantage. To answer the point about the basketball team being away, that is not a problem now and shouldn't be a problem in the future. The only thing he disagreed with was the fiscal impact. Once we do the catch up and get those kids rolling, those additional kids will be there no matter what happens and he did not see why it continues to be in the second year of cost.

Ms. Quinlan said it is not a compounded cost; it is just a continued cost. You jump up once. Mr. Waldron said once we are up there we will go on, but once we take the bite, it should level out with the other one.

Chair Blaylock said it is \$5 million the first year, it will not increase, but you still have to plan on spending the \$5 million but it is not an addition.

Senator Toews said he was not straight on how you get to \$5 million, that is a pretty good jump. He asked what is being added in to get up to \$5 million. Ms. Quinlan said we are adding about 1700 additional students. We take the enrollment count and jump up to make it a more recent semester. You will be driving a previous school year and a previous calendar year and because we have growing enrollment in the state, we are picking up 1700 kids earlier than they would have been.

Chair Blaylock asked if that is where most of that expense is coming from and Ms. Quinlan answered yes.

Senator Toews said in making that assumption, then the beginning chart we start with is off because we have 1700 kids we have not plugged into that base and our fiscal note, for all practical purposes, is really wrong as per the system we are actually functioning under now.

Senator Waterman said if she was correct about what the House did, they used '92 enrollment figures as their base and then took \$40 million away from it and did not count the fact that these students were there.

Ms. Quinlan said the House used fiscal '93 ANB and fiscal '93 budgets in this whole process when you look at the district by district analysis. Then we recognized that going into '94 and

'95 enrollments were up for the state. The reason they were looking to save \$40 million is because of those additional students. Even under the foundation program we were looking at an additional \$40 million cost because of those new students. They are saying we don't want to spend any more money in the '95 biennium than we are spending in this current biennium and given that we have these additional kids, how much do we have to cut back the state money per pupil. The enrollment growth is recognized in the model whether you use ANB or whether you use enrollment. If you use enrollment those kids get into the system faster because we are moving up a semester.

Chair Blaylock said, you are saying when the House says we have cut \$40 million, we are leaving the budgets, in effect, as they are this school year and refusing to recognize we have a lot more kids to educate. Ms. Quinlan said we are leaving the state support where it was. Chair Blaylock said we are leaving the state funding where it was but we will educate about 7100 more kids. Ms. Quinlan said that was correct.

Senator Waterman proposed to leave the enrollment as it was set yesterday.

Senator Brown asked if that was correct. This (exhibit 4) appears to show that ANB based on enrollment, expenditures go up \$10 million over the biennium which was by an act of this subcommittee. Senator Waterman is saying she wants to leave this action in effect. He asked if he understood correctly that we would just continue to spend that \$10 million.

Senator Toews said you can still make the adjustment. If you want to get it back to revenue neutral, you would have to go back and change your amount per student. This would be the correct thing to do, to move our enrollment up to where it is correct, face it square up and then go back and roll back the per student amount. Senator Waterman said she thought this was better because we actually recognize the kids that are there. We should not be basing this on a lie about how many students are there.

Representative Boharski said the bottom line is what you are going to do in the last action you make. This adds another \$10 million to the cost of HB 667 that would have added an additional, maybe, \$10 million to the current funding structure. He said he would not argue that this might not be a good idea, but remember, at this time, by moving forward right now we will hit the property tax payers because all this is going to cause a drop in the GTB level and an increase in local levies.

Senator Waterman said the students are there and so if we are going to build a system, let's be honest in building it and recognize the students are there.

Ms. Quinlan said when districts do their first enrollment count as they will do this fall, if they have more than a 6% increase

in their enrollment they can come in and apply for additional state aid and that amount was around \$400,000 for this current school year. Because enrollment is jumping that much more into the next two fiscal years, there is an amount there that we haven't counted into this yet, that the state will be paying out for these additional students coming into the system. Some of this \$5 million cost would get paid out anyway, and she would guess it to be about \$1 million.

Chair Blaylock asked about changing the ANB reduction factors from 50 cents to 20 cents (exhibit 4, 4/2). Senator Stang said he thought that was the question Senator Gage had asked, and that is why it is on the sheet. We know the affect of that, but did not think we needed to do that at this time. He was not sure at this time the committee wanted to play around with those figures since each penny has a pretty big impact.

The feeling of the committee seemed to be to leave this issue alone, and Chair Blaylock said that is what would be done.

Protested Taxes

Senator Stang said there seems to be a great fear out there that this bill does not address the protested taxes and the way some of these people have been using them. He did not know who to ask.

Ms. Quinlan said she believed the issue is that if a district gets a protested tax settlement, are they going to be able to spend it in their budget and where are they going to be able to spend it. Senator Stang indicated that was the issue and Ms. Quinlan said when a district gets a protested tax settlement, they have to deposit that money in the funds that were protested. If the district had a general fund, transportation and a retirement mill levy in the year for which the taxes were protested, they would have to deposit the protested money in the three funds in proportion to the mills that were levied in the protest year. She understood this question came about because of the capital outlay issue and we have not done anything to eliminate excess reserves in the general fund, so if the district gets protested tax money, they can reserve it over and above their 10% operating reserve and when they choose to spend it they can spend it to reduce their voted levy. They don't have to use it to reduce their permissive levy and therefore reduce their state aid. They can put money in excess reserves and when they spend it they can use it to reduce their voted levy and also in terms of this capital outlay amendment you adopted, in the first year when they can no longer build out of the general fund, we are saying if a district had set aside these excess reserves, planned on a building project and are now saying you cannot build in the general fund, we are allowing them a one time transfer of that money into the building reserve fund so they can still do that building project.

Senator Stang said he had one school that has a federal grant and they may take more than the one year to complete that. If they put that money into their capital outlay the first year, will they be able to use that further down, or not. Ms. Quinlan said they can take that federal impact grant and put it in their building fund which is a non-budgeted fund.

Senator Stang asked about the protested taxes they will use to match that with. Ms. Quinlan said they can transfer those monies into the building reserve fund this year. Senator Stang said they don't have to use them this year and Ms. Quinlan said no.

Senator Stang said there is another district that had been using their protested taxes to add teachers to their budget. This will not affect the way they do that because they can still take the protested tax and put it into their general fund from their excess reserves as they need to use them and still keep their excess reserves, so it shouldn't affect those actions. Ms. Quinlan said the only thing different under this bill is what Ms. Merrill talked about, that you have to vote any spending above 4% greater than previous year. It is not just money that comes from property tax levies. If you want to spend those excess reserves, you have to vote yourself the budget authority to do that if it is greater than 4% of the previous year.

Senator Stang said if they were under HB 28, they couldn't use these reserves over and above their 195% or 104% anyway, so basically this will do the same thing to that district that we were doing before, only in a different way. Ms. Quinlan said we do have a budget amendment process where a district can come in and they can exceed the cap one time to spend settlement money or protested taxes, or tax audit money for deferred projects and that part of the language hasn't changed, either.

Senator Stang said you feel these issues have been addressed. Ms. Quinlan said she believed it would not be any different than it is under the current law.

Senator Stang asked Don Waldron the same question. Mr. Waldron said what the district he is talking about is it has decided to take this amount of money and spread it over three years. They had to lay off teachers when their taxes were protested and they went back and hired a couple and want to add a couple more this year. They want to do some asbestos work, getting some things ready for handicapped, and buy some technology. They have decided on a three year program to use up that protested money. They are afraid that they will have to put that over in a capital outlay and from what he heard Ms. Quinlan saying, they can put it in excess reserves and use it each year. There is one little problem left. They have an amendment for this year and want to know if they can add their budget plus the amendment to get a new budget for the 104%. It would be 104% of their last year's budget without the amendment. He gave the example of \$100,000 last year, they came to you and asked for a \$20,000 amendment and

you granted it. They used this money for that amendment. What is their budget for this year. They are in the 80-100% level. Ms. Quinlan said their budget is the originally adopted budget, not the budget with the budget amendment but they can come back for another budget amendment in the next year to spend these excess monies if it is for that purpose. Mr. Waldron said for the three years they could use it out, and said he believed that answered the question they were concerned with.

It was decided this issue was taken care of and the committee did not need further action on it.

Senator Waterman said she believed we had to get to the bottom line that was bothering Senator Brown. As much as she did not like the idea, she did not believe we could send this out without it being balanced unless something like the realty tax bill passes that has additional revenue or somebody has some great idea where we are going to come up with more money for it, we need to adjust that percentage to match revenue neutral, given what we have done to the bill.

Senator Toews said he did not want to move that number. We can just take the amount per student and move that down. Ms. McClure said it is already 179, it is not at 195 any more.

Senator Toews asked if Mr. Gillett could speak to that. He asked the question of how he could get revenue neutral without taking everything out of this bill. Mr. Gillett said the issue of revenue neutral is an issue in the eye of the proposer. If you were to lower the percentage, you could save money, if you were to raise it, you could add money back in. As you lower that number, local mills go up; as you raise that 179 number (which it became in adopting Ms. Nielson's # 2 option), it will cost the state more and potentially, the local taxpayer less. Saving another \$13 million will be a serious hit on that 179% level.

Senator Toews asked why we have to play with the 179 figure because that refers to GTB. Mr. Gillett said there are a number of combinations, he was using the 179 because that is the one everybody has been talking about. Unless you were to play with the \$18,000, the \$200,000, the \$3500 and \$4900, no matter which of the state cost numbers you play with, if you move those you lower total available school budgets and wind up with more folks above the maximum line and in the frozen situation. You will, in fact, mitigate state costs and local mills if you do that, but you provide the districts with less budget and suspected you would get comments from school folks on that. We could do any of those things and tell you what the ramifications are.

Senator Waterman said the 179, if we leave it where it is, we have to come up with an additional \$16 million of state money. Mr. Gillett said he thought the \$13.5 million was cumulative. Ms. Quinlan answered yes. Mr. Gillett said you do not add the two bottom lines, the \$13.5 is cumulative. It is \$16 million we

are talking about.

Senator Stang said just to clear up the 179, didn't we just do that for special ed only. Ms. Waterman said that is where we got the money, though. Senator Stang said we left the percentage and only used the 179% in the special ed and that would not change anything over here yet. Senator Waterman said yes, we did.

Mr. Gillett said another figure on this sheet (exhibit 4) your actions on the retirement fund, to remove weighted GTB from that, caused another about \$1.6 million in that deficit, so you are talking more like \$18 million instead of \$16 million.

Senator Waterman said she believed we need to take something to the full committee tomorrow morning that brings this into balance and did not have any trouble with running a couple options for them, unless the committee decided not to, but thought we needed to decide whether we do this based on that percentage, and at this point that would be her preference, or whether we are going to lower the base entitlement or the per pupil allocation. It seems those are the three choices we are facing or tell we will have to tell everybody to come up with more money.

Mr. Gillett said you could change from 40-40 to 30-50, but those two need to add up to 80. You could do that and it would be effective, the same as lowering the percentage. You raise the local mill levy saying you lower the state contribution. He said as a point of reference, thinking back to the numbers he and Ms. Nielson computed last evening, to get the \$6.3 million approximately, it was necessary to lower from 195 to 179. The numbers you are looking at here are about three times that big and you would be looking at lowering from 179 to about 130 which is about where GTB is at now. It is currently at 121 and it does begin to affect the percentage of equalized dollars in the system to a very serious extent.

Senator Blaylock asked what number would have the least effect on equalization and Mr. Gillett said if you move the 40-40 to 30-50 you would have fairly serious consequences on the equalization in small schools. The 40% direct state aid, because that is on the base entitlement which is very important to small schools and would have a very serious effect on the percentage of equalized dollars on the small school. If you lower the GTB, although now that GTB in the general fund is still on weighted, it mitigates a little bit, the effect of GTB, but those affects are more on the larger schools. He said he could sympathize but this is a public policy question and there really is no easy answer.

Chair Blaylock said with no easy answer, we either get more money or we go out there and face these schools all over the state that will really be hurting.

Senator Waterman asked how much the non-levy revenue raises. Mr. Gillett said the amount of non-levy revenue involved in that

situation is in the neighborhood of \$19 million per year. He said his understanding was that you automatically use a portion of that when you take it and you make those districts eligible for additional GTB aid because they now do not have those revenue sources. It leaves you with about \$11 million actually.

Senator Toews said if we came back at a later date and said we were going to give an increase to everybody in the state, we are going to make it equal through the whole thing; aren't we going to come back and raise those 2 mills we get per student on high school and per student elementary. Isn't that how we raise and lower it. Senator Waterman said it depends on how evenly you want to raise it. Senator Toews asked how we are going to do it in the future and Senator Waterman said that Senator Stang is going to work on the base entitlement and she is going to work on the student allocation.

Chair Blaylock answered Senator Toews by saying there are all these combinations of things you could do, but there is no escape, if we lower these things, the schools are getting hurt more and as you can put more money in everything looks better.

Senator Toews said he did not have a problem with it for this time, but if we are going to do it in the future, such as a 4% or 5% inflation, if that is what we are going to do then, we can do the reverse of that now. If we have established the 179 figure and the bare number for GTB, then that is a fair number for today, tomorrow and the next day and we just need to go back to whatever the variable is and use the variable with the per student allocation. Senator Waterman said or the base entitlement and Senator toews agreed, or the base entitlement we could go back to.

Senator Brown asked if we know how to calculate that if we "fiddled" with the per student allocation and Representative Boharski said they had a discussion about this early this morning and Mr. Gillett could answer that question.

Mr. Gillett said the equalization properties of the system were designed in the beginning based on current school spending patterns. Those four numbers in combination, are a result of an analysis of current school spending patterns. Moving one without the other, he believed had potentially serious equalization ramifications. He would suggest if you are going to change those numbers, you do it on an equitable basis. The way the computer model is designed, if you want to move those numbers with a half dozen key strokes, we can say "take 99% of each one" so each would come down 1% rounded to the nearest \$10 and you can see what is happening. You can see what is happening to school budgets and mill levies and everything all at one time. You could also go 2% down or 3% down and see what it might do. He said he would suggest using them in tandem because that has the least negative effects on the package equalization properties of the system.

Senator Waterman recapped to understand the affects of manipulating by saying if we send Mr. Gillett down to his computer and tell him to punch numbers and reduce the base entitlement for student allocations and expose the amount in stop gap, that will have the effect of lowering the \$16 million which will lower the amount of money available for school districts to spend. Mr. Gillett said that is exactly right, or the budget flexibility into the future. Senator Waterman said if we alter the percent, the districts have the money available to spend, it is just how much they contribute from their tax base. Mr. Gillett said that was correct.

Senator Waterman said she would argue that students are going to suffer enough with the \$40 million that was taken out of this budget and ought not suffer any more by playing with those numbers. It is time we increased the taxpayer, recognizing that it throws some question on the amount of state contribution, but frankly, we have made a philosophical decision to not contribute money to schools and we have to live with that, but she did not think we needed to take it out of the students hide at this point. She would argue that we alter the percentages.

Mr. Gillett said he had given the committee earlier, the chart on what COLA in the second year on a 1%, 2% etc. might cost you. If you were to lower the budget factor you are talking about an "unCOLA".

Senator Waterman said you are essentially looking at a 4% decrease on top of what you have. Mr. Gillett said this is annual and you are looking at \$16 million to \$18 million biennial, so you would be looking at about 2 1/2%. Senator Waterman said that would be on top of the 5% they have already taken a hit on. Mr. Gillett said when the House took the \$40 million off, they did not change the budget calculation, they lowered the percentage.

Chair Blaylock asked if this subcommittee would like to leave this that we make our report tomorrow morning on all the things we have done and say "we have left you this one little problem to solve".

Representative Kadas said he thought the Senate had passed the Realty Transfer Tax to minimize reductions to schools. As far as he could tell that was not being taken into account here.

Senator Stang said if he wanted to split the difference between the old state support and the new state support which is about \$15 million, he would want to know how we could do that. Would we change the percentage or go back to the same argument of per student allocations to do that. Mr. Gillett said he did not have a specific answer and could not tell them what the best combination would be. He suspected if you want to add money to this bill, however you want to add it, it will be fine with almost anybody in the school community. You could change the 40-

40 to 50-30 and that would be more important to small schools, you could change the GTB percentage which would probably be more important to big schools.

Senator Stang said if we took the percentage from 179 to anywhere above that, it would be better. Mr. Gillett said if you go back to the 195 that spends about \$6 million a year.

Motion: Senator Stang moved we increase the percentage to put about \$15 million more into this bill than we have put in.

Discussion: Senator Stang said the reason he did that is because he thinks it is time the state took their responsibility to fund the schools. It increases the percentage and he believed we have dumped enough of this on the local taxpayers long enough. They are state schools and if we do this it will further reduce property taxes or eliminate the need for property tax increases. He said there were enough people mad when HB 28 increased their taxes without being able to vote with 105. This will keep that from happening again as we play with school funding. He said there wasn't anybody that came up here and told him to increase their income tax or their Realty Transfer Tax either, but they have told him not to increase their property tax. They said if you have to fund schools on an equal basis, there are two ways we don't want to pay for it. 1) The sales tax and 2) property tax. He voted to raise the Realty Transfer Tax and will probably vote to raise the income tax. He has always been willing to vote to pay for what we need and believed this is a figure that will throw it out there that will definitely get this bill into a conference committee and in the end result, this figure will be figured out on the last 10 minutes of the last day.

Senator Brown said he believed this motion would kill any chance of any bipartisan cooperation of the bill. You might get it to the conference committee on a party line vote, you might not even get it out of the Senate.

Senator Toews said he would not vote for that amount of money, but to get it discussed he would let it come out of this committee like that, if he could see figures that would take 2 1/2% off this and run a chart like that, he would like to see it. (the unCOLA)

Senator Stang clarified his motion at the request of the Chair. He said it was to put \$15 million back into the budget where it says new state support and do so by adjusting the mill guarantee percent for GTB percentage, probably somewhere around from 179 to 195, which we figured at about \$6 million, so this would adjust that to about 220%.

Senator Waterman asked if that is in addition to making up the deficit we made in the bill. Senator Stang said that is what the Realty Tax Transfer was, as a wild guess.

Vote: Senator Stang's motion to put \$15 million back into state support CARRIED, 3 voting yes, 2 voting no, Senators Hertel and Van Valkenburg absent, roll call vote.

Motion/Vote: Senator Waterman moved the subcommittee recommend the bill as amended to the full committee. Motion CARRIED 3-2, roll call vote.

Senator Stang said when we offer this to the full committee or bring it to the floor he suggested it be noted there was good bipartisan support for everything except the last amendment.

ADJOURNMENT

Adjournment: 5:45 p.m.



CHET BLAYLOCK, Chair



SYLVIA KINSEY, Secretary

CB/sk

ROLL CALL VOTE

E 1

SENATE COMMITTEE SUBCOMMITTEE ON HB 667 BILL NO. HB 667

DATE 4/2/93 TIME 7 a.m. 3:56 A.M. P.M.

NAME	YES	NO
Senator Van Valkenburg	—	—
Senator Brown		✓
Senator Waterman	✓	
Senator Hertel	—	—
Senator Stang	✓	
Senator Toews		✓
Senator Blaylock	✓	
	3	2

Sylvia Kinsey SECRETARY Chet Blaylock CHAIR

MOTION: Put SB 32 into HB 667
Put SB 32 into HB 667

ROLL CALL VOTE

512
2

SENATE COMMITTEE SUBCOMMITTEE ON HB 667 BILL NO. HB 667

DATE 4/2/93 TIME 7 a.m. A.M. P.M.

NAME	YES	NO
Senator Van Valkenburg	—	—
Senator Brown		✓
Senator Waterman	✓	
Senator Hertel	—	—
Senator Stang	✓	
Senator Toews		✓
Senator Blaylock	✓	
	3	2

Sylvia Kinsey
SECRETARY

Chet Blaylock
CHAIR

MOTION: Stang y 15 / S & E
passed \$15 million back into
State Support

let's
3 PM - 4-6
Mey 2

HB 667 SUBCOMMITTEE ACTIONS

(1) Caps:

Growth Limits Below 80%:

Greater of:

- (a) 104% of previous year GF budget;
- (b) 104% of previous year GF budget per-ANB x current year's ANB; or
- (c) (i) 33 1/3% of range between GF ending June 30, 1993 and BASE July 1, 1993;
(ii) 50% of range between GF ending June 30, 1994 and BASE beginning July 1, 1994; or
(iii) remainder of range between GF ending June 30, 1995 and BASE beginning July 1, 1995
- (d) Voted required to exceed above budgets

80 to 100%:

Greater of:

- (a) 104% of previous year GF budget; or
- (b) 104% of previous year GF budget per ANB x current year's ANB
- (c) Voted levy above 104%
- (d) Removed Kadas Amendment on vote above 90% and optional vote provision.

Above 100%:

Districts "frozen" at:

- (a) district's GF budget for current school fiscal year; or
- (b) the maximum GF budget for district in current school fiscal year.

** Note: Except for fiscal year July 1, 1993, HB 667 still requires vote in second year.

(2) Administrative costs: Removed the Wanzenreid amendment to limit administrative costs to 95% of 2-year average.

(3) Capital outlay: Removed capital outlay expenditures from GF
Coordinate HB 667 with SB 32

(4) Weighted GTB: Use weighted average GTB for GF and

retirement in HB 667 and capital outlay (in SB 32)

HS Stop/Loss: Changed High school stop/loss from 1,000 to 800

- (5) Special Education: Voted to use OPI option #2 to revise the current GTB HB667 value to extend the permissive range for special education purposes based on 10%, 25% and 65% ratios to incorporate the current concept but redistribute the dollars in the permissive levy GTB support. (Means \$5 million in GTB. Changed GTB value from 195% to 179%.
- (6) Non-levy revenue: voted not to include non-levy revenue in HB 667
- (7) COLA: voted not to include an inflation factor in HB 667
- (8) Transportation and retirement: voted not to include in HB 667 except that weighted GTB (county total value/county total per-ANB entitlements) used for retirement to match weighted GTB language for GF use.
- (9) No Decisions on:
 - (a) changing per-ANB reduction factors from .50 and .20
 - (b) enrollment change
 - (c) vote on "frozen" districts' budget
 - (d) House \$40 M cut

Senate Select Committee on School Funding
State Support for Public Schools

	----- Fiscal 1994 -----			----- Fiscal 1995 -----		
	<u>Current Law</u>	<u>HB 667 Third Reading</u>	<u>Difference</u>	<u>Current Law</u>	<u>HB 667 Third Reading</u>	<u>Difference</u>
<u>Expenditures</u>						
Direct State Aid	362,375,200	263,874,000	(98,501,200)	369,994,800	272,027,000	(97,967,800)
General Fund GTB	32,527,700	105,634,000	73,106,300	33,160,400	116,674,000	83,513,600
Retirement GTB	17,183,750	17,183,750	0	17,843,600	17,843,600	0
Transportation	3,908,166	3,908,166	0	3,914,457	3,914,457	0
Bonus Payments	75,000	75,000	0	100,000	100,000	0
Total	416,069,816	390,674,916	(25,394,900)	425,013,257	410,559,057	(14,454,200)
<u>Revenues</u>						
School Equalization Account	391,637,000	394,553,000	2,916,000	400,698,000	404,864,000	4,166,000
<u>Actions by Subcommittee</u>						
Reach BASE (80%) in 3 yrs		515,000			1,792,000	
Weighted GTB for General Fund		(592,000)			(670,000)	
HS Stop/Loss @ 800 ANB		1,075,000			1,222,000	
ANB based on Enrollment		5,087,000			5,381,000	
Vote Below 80%		1,649,000			918,000	
Special Education Funding						
Weighted GTB for Retirement		(790,800)			(790,800)	
Revised Cost -- Subcommittee Action		6,943,200			7,852,200	
Revenue Surplus (Shortfall)		(3,065,116)			(13,547,257)	

* Other decisions affecting cost include removing the limit on administrative costs and removing capital outlay and bus purchases from the general fund.

EXP 3 - Mtg 2 - 4-6

OFFICE OF THE LEGISLATIVE AUDITOR
 AT THE REQUEST OF SENATOR STANG
 WEIGHTED GTB SYSTEM ON RETIREMENT
 SORT SEQUENCE: BY COUNTY & LEVEL
 SOURCE: OFFICE OF PUBLIC INSTRUCTION (UNAUDITED)

STNG97.WK1
 06-Apr-93
 07:45 AM

RESTATEMENT OF FY 93 RETIREMENT FUNDS CURRENT GUARANTEE PERCENT (121%)

CO NUM	COUNTY	LEV- EL	TOTAL ANB	FISCAL YR 93 MILLS LEVIED TO SUPPORT RETIREMENT	WEIGHTED GTB MILLS	FISCAL YEAR '93 TOTAL SUBSIDY	TOTAL WEIGHTED GTB SUBSIDY	CHANGE IN MILLS TO WTD GTB	CHANGE IN SUBSIDY TO WTD GTB
01	BEAVERHEAD	1	1276	17.94	17.44	\$132,084	\$139,769	-0.50	\$7,686
01	BEAVERHEAD	2	495	10.68	10.39	\$59,210	\$64,110	-0.29	\$4,900
02	BIG HORN	1	1655	2.48	2.42	\$8,537	\$10,177	-0.06	\$1,639
02	BIG HORN	2	577	4.48	4.30	\$0	\$4,931	-0.18	\$4,931
03	BLAINE	1	1078	7.01	6.61	\$38,313	\$43,775	-0.40	\$5,462
03	BLAINE	2	443	6.15	5.03	\$37,679	\$53,432	-1.12	\$15,752
04	BROADWATER	1	515	4.9	4.90	\$0	\$0	0.00	\$0
04	BROADWATER	2	192	1.58	1.58	\$0	\$0	0.00	\$0
05	CARBON	1	1110	17.06	15.17	\$59,461	\$90,329	-1.89	\$30,868
05	CARBON	2	531	8.97	6.86	\$60,300	\$97,132	-2.11	\$36,831
06	CARTER	1	154	12.72	12.72	\$0	\$0	0.00	\$0
06	CARTER	2	50	6.78	6.78	\$0	\$0	0.00	\$0
07	CASCADE	1	10154	20.75	22.38	\$1,868,869	\$1,719,797	1.63	(\$149,072)
07	CASCADE	2	3779	10.1	11.50	\$819,846	\$693,238	1.40	(\$126,609)
08	CHOTEAU	1	788	11.9	11.90	\$0	\$0	0.00	\$0
08	CHOTEAU	2	357	7.41	7.41	\$0	\$0	0.00	\$0
09	CUSTER	1	1491	19.82	19.42	\$237,595	\$243,392	-0.40	\$5,796
09	CUSTER	2	627	7.66	8.25	\$108,832	\$100,446	0.59	(\$8,386)
10	DANIELS	1	318	0	0.00	\$0	\$0	0.00	\$0
10	DANIELS	2	158	24.86	15.61	\$15,908	\$76,430	-9.25	\$60,522
11	DAWSON	1	1314	19.85	19.48	\$98,854	\$105,748	-0.37	\$6,894
11	DAWSON	2	563	8.24	8.18	\$64,066	\$65,172	-0.06	\$1,106
12	DEER LODGE	1	1096	20.19	20.05	\$220,397	\$221,568	-0.14	\$1,171
12	DEER LODGE	2	539	9.95	10.56	\$158,264	\$153,041	0.61	(\$5,222)
13	FALLON	1	519	20.99	20.99	\$0	\$0	0.00	\$0
13	FALLON	2	206	16.13	13.52	\$0	\$25,564	-2.61	\$25,564
14	FERGUS	1	1666	22.14	20.77	\$161,926	\$192,612	-1.37	\$30,686
14	FERGUS	2	641	11.92	9.71	\$86,646	\$135,054	-2.21	\$48,408
15	FLATHEAD	1	8662	19.42	19.24	\$1,027,800	\$1,046,551	-0.18	\$18,751
15	FLATHEAD	2	3556	8.91	10.01	\$528,172	\$415,929	1.10	(\$112,242)
16	GALLATIN	1	5863	19.56	19.71	\$518,355	\$506,953	0.15	(\$11,402)
16	GALLATIN	2	2119	10.34	10.74	\$182,733	\$151,436	0.40	(\$31,297)
17	GARFIELD	1	228	13.97	13.37	\$0	\$2,911	-0.60	\$2,911
17	GARFIELD	2	93	8.88	8.88	\$0	\$0	0.00	\$0
18	GLACIER	1	2259	5.04	5.08	\$104,518	\$103,664	0.04	(\$853)
18	GLACIER	2	605	0	0.00	\$0	\$0	0.00	\$0
19	GOLDEN VALLEY	1	104	9.89	9.89	\$0	\$0	0.00	\$0
19	GOLDEN VALLEY	2	49	11.84	10.59	\$0	\$5,959	-1.25	\$5,959
20	GRANITE	1	353	0	0.00	\$0	\$0	0.00	\$0
20	GRANITE	2	174	0	0.00	\$0	\$0	0.00	\$0
21	HILL	1	2603	17.27	17.20	\$273,769	\$275,911	-0.07	\$2,142
21	HILL	2	987	10.93	10.35	\$159,769	\$177,164	-0.58	\$17,395
22	JEFFERSON	1	1232	0	0.00	\$0	\$0	0.00	\$0
22	JEFFERSON	2	410	0	0.00	\$0	\$0	0.00	\$0
23	JUDITH BASIN	1	326	8.89	8.89	\$0	\$0	0.00	\$0
23	JUDITH BASIN	2	137	13.65	11.18	\$0	\$21,419	-2.47	\$21,419
24	LAKE	1	3078	20.9	20.59	\$529,438	\$538,510	-0.31	\$9,073
24	LAKE	2	1232	12.26	11.87	\$302,540	\$314,659	-0.39	\$12,120
25	LEWIS & CLARK	1	6734	21.14	22.22	\$1,096,147	\$1,022,007	1.08	(\$74,140)
25	LEWIS & CLARK	2	2505	11.02	12.63	\$529,466	\$423,421	1.61	(\$106,045)
26	LIBERTY	1	374	12.53	12.53	\$0	\$0	0.00	\$0
26	LIBERTY	2	140	8.82	8.82	\$0	\$0	0.00	\$0
27	LINCOLN	1	2647	7.2	7.13	\$123,880	\$126,005	-0.07	\$2,126
27	LINCOLN	2	1118	8.89	9.10	\$179,896	\$173,532	0.21	(\$6,364)
28	MADISON	1	695	11.94	11.94	\$0	\$0	0.00	\$0
28	MADISON	2	333	9.37	8.77	\$0	\$11,295	-0.60	\$11,295
29	MCCONE	1	265	15.8	15.80	\$0	\$0	0.00	\$0
29	MCCONE	2	138	10.51	10.51	\$0	\$0	0.00	\$0
30	MEAGHER	1	200	7.31	7.31	\$0	\$0	0.00	\$0
30	MEAGHER	2	103	10.56	10.56	\$0	\$0	0.00	\$0
31	MINERAL	1	621	9.07	8.38	\$15,771	\$22,249	-0.69	\$6,478
31	MINERAL	2	245	5.39	4.01	\$9,997	\$22,604	-1.38	\$12,808
32	MISSOULA	1	9727	19.76	20.48	\$1,080,195	\$994,177	0.72	(\$86,018)
32	MISSOULA	2	3626	11.2	13.24	\$528,758	\$289,052	2.04	(\$239,706)
33	MUSSELSHELL	1	559	11.36	10.57	\$36,069	\$41,423	-0.79	\$5,353
33	MUSSELSHELL	2	246	4.89	4.11	\$22,002	\$27,217	-0.78	\$5,215
34	PARK	1	1528	19.8	19.10	\$53,853	\$71,161	-0.70	\$17,308
34	PARK	2	630	11.63	11.00	\$55,904	\$70,904	-0.63	\$14,999
35	PETROLEUM	1	70	0	0.00	\$0	\$0	0.00	\$0
35	PETROLEUM	2	38	36.27	20.43	\$0	\$28,715	-15.84	\$28,715
36	PHILLIPS	1	714	9.58	9.58	\$0	\$0	0.00	\$0
36	PHILLIPS	2	347	6.81	6.80	\$0	\$178	-0.01	\$178
37	PONDERA	1	1055	20.2	19.07	\$77,146	\$94,160	-1.13	\$17,014
37	PONDERA	2	395	10.81	8.56	\$33,605	\$67,083	-2.25	\$33,479
38	POWDER RIVER	1	253	8.83	8.83	\$0	\$0	0.00	\$0
38	POWDER RIVER	2	133	8.9	8.10	\$0	\$5,119	-0.80	\$5,119
39	POWELL	1	782	12.67	12.23	\$11,493	\$17,260	-0.44	\$5,767
39	POWELL	2	298	2.23	2.21	\$1,821	\$2,062	-0.02	\$241

RESTATEMENT OF FY 93 RETIREMENT FUNDS

CURRENT GUARANTEE PERCENT (121%)

CO NUM	COUNTY	LEV- EL	TOTAL ANB	FISCAL YR 93 MILLS LEVIED TO SUPPORT RETIREMENT	WEIGHTED GTB MILLS	FISCAL YEAR '93 TOTAL SUBSIDY	TOTAL WEIGHTED GTB SUBSIDY	CHANGE IN MILLS TO WTD GTB	CHANGE IN SUBSIDY TO WTD GTB
40	PRAIRIE	1	163	11.6	11.60	\$0	\$0	0.00	\$0
40	PRAIRIE	2	90	8.82	6.77	\$2,604	\$10,384	-2.05	\$7,780
41	RAVALLI	1	3582	8.54	8.30	\$257,264	\$265,366	-0.24	\$8,101
41	RAVALLI	2	1507	11.04	10.71	\$388,314	\$399,357	-0.33	\$11,043
42	RICHLAND	1	1601	12.6	12.12	\$94,004	\$104,146	-0.48	\$10,141
42	RICHLAND	2	768	8.96	8.36	\$111,201	\$124,625	-0.60	\$13,423
43	ROOSEVELT	1	1946	12.97	12.53	\$119,383	\$130,617	-0.44	\$11,234
43	ROOSEVELT	2	698	10.61	8.80	\$72,577	\$117,554	-1.81	\$44,978
44	ROSEBUD	1	1888	2.23	2.23	\$0	\$0	0.00	\$0
44	ROSEBUD	2	711	1.07	1.07	\$0	\$0	0.00	\$0
45	SANDERS	1	1203	13.86	13.86	\$0	\$0	0.00	\$0
45	SANDERS	2	540	7.4	6.36	\$2,997	\$28,166	-1.04	\$25,169
46	SHERIDAN	1	670	10.8	9.69	\$0	\$13,356	-1.11	\$13,356
46	SHERIDAN	2	301	9.8	7.09	\$11,475	\$45,338	-2.71	\$33,863
47	SILVER BOW	1	3858	25.38	26.77	\$543,434	\$477,270	1.39	(\$66,164)
47	SILVER BOW	2	1458	12.85	14.67	\$264,355	\$171,885	2.02	(\$92,470)
48	STILLWATER	1	1022	15.1	15.10	\$0	\$0	0.00	\$0
48	STILLWATER	2	441	11.34	8.83	\$0	\$51,368	-2.51	\$51,368
49	SWEET GRASS	1	385	14.74	14.74	\$0	\$0	0.00	\$0
49	SWEET GRASS	2	199	12.52	11.65	\$7,848	\$15,146	-0.87	\$7,298
50	TETON	1	897	19.23	17.45	\$10,005	\$37,598	-1.78	\$27,593
50	TETON	2	391	12.77	10.06	\$21,670	\$65,164	-2.71	\$43,494
51	TOOLE	1	770	3.64	3.64	\$0	\$0	0.00	\$0
51	TOOLE	2	302	0.02	0.02	\$0	\$0	0.00	\$0
52	TREASURE	1	130	10.97	10.97	\$0	\$0	0.00	\$0
52	TREASURE	2	50	8.07	8.07	\$0	\$0	0.00	\$0
53	VALLEY	1	1179	14.06	14.06	\$0	\$0	0.00	\$0
53	VALLEY	2	465	11.35	10.43	\$0	\$22,929	-0.92	\$22,929
54	WHEATLAND	1	313	11.89	11.89	\$0	\$0	0.00	\$0
54	WHEATLAND	2	139	10.4	9.32	\$0	\$8,676	-1.08	\$8,676
55	WIBAUX	1	161	3.9	3.90	\$0	\$0	0.00	\$0
55	WIBAUX	2	77	1.95	1.77	\$0	\$777	-0.18	\$777
56	YELLOWSTONE	1	14676	21.15	22.46	\$1,598,547	\$1,353,812	1.31	(\$244,734)
56	YELLOWSTONE	2	5662	9.11	10.74	\$631,349	\$316,015	1.63	(\$315,335)
TOTALS						\$15,856,909	\$15,066,157		(\$790,752)

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mtg 2

OFFICE OF THE LEGISLATIVE AUDITOR
COMPARISON OF COSTS (SAVINGS) IN PROJECTIONS
USING ANB VERSUS ENROLLMENT
SOURCE: OFFICE OF PUBLIC INSTRUCTION (UNAUDITED)

ENROCST.WK1
04/05/93
10:12 PM

	<u>FISCAL YEAR</u> <u>1993-94</u>	<u>FISCAL YEAR</u> <u>1994-95</u>
COSTS (SAVINGS) USING ANB	(\$15,278,455)	\$4,462,491
COSTS (SAVINGS) USING ENROLLMENT	<u>(\$5,928,963)</u>	<u>\$11,280,510</u>
ADDITIONAL STATE COST OF USING ENROLLMENT	<u>\$9,349,492</u>	<u>\$6,818,019</u>

DATE 4-6-93

SENATE COMMITTEE ON Sub Com of Select Com on Ed Bill

BILLS BEING HEARD TODAY: H B 667
adjor 3PM

Name	Representing	Bill No.	Check One Support Oppose	
Ken Halverson	Ophain S.D.	667		
Carol McPurain	Butte Dist #1	667		

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY