

MINUTES

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

COMMITTEE ON EDUCATION

Call to Order: By Senator Blaylock, on December 13, 1993, at
9:45 A,M,

ROLL CALL

Members Present:

Sen. Chet Blaylock, Chair (D)
Sen. John Brenden (R)
Sen. Bob Brown (R)
Sen. John Hertel (R)
Sen. Spook Stang (D)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)
Sen. Bill Wilson (D)
Sen. Bill Yellowtail (D)

Members Excused: Senator Harry Fritz

Members Absent: None

Staff Present: Eddye McClure, Legislative Council
Sylvia Kinsey, Committee Secretary

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

Committee Business Summary:

Hearing:
Executive Action: HB 22, HB 23

EXECUTIVE ACTION ON HOUSE BILL 22

Discussion: Chair Blaylock said he believed there was an excellent hearing on the bills and said because of the Natelson petition which stopped the funding, everyone realized a major part of the cuts would of necessity be taken from education. He said he hoped there would be a reasoned discussion on the proposed amendments and what would be the best for the schools remained the primary concern of all members. He said there are two major sets of amendments to be considered, one by Senator Waterman (exhibit 1) and one by Senator Brown (exhibit 2), and Senator Gage wished to make a proposal on SB 1. He said Ms. McClure had drawn the amendments and asked her to go through and explain what Senator Waterman's amendment does to the bill.

Ms. McClure said because there is some confusion over the Kadas amendments, etc. when we finish going through the Waterman amendments the committee would probably understand the Brown amendments also. She said basically the Waterman amendment does four things. 1. Amend HB 22 to take 6.1 out of the entitlements starting on page 1 and 2 of the amendment sheet. 2. From HB 23, the Kadas amendment on page 5 "Budget reduction - - exceptions". The first amendment is in subsection 1 and states everyone will have 6.1 taken off. The second amendment is the Kadas amendment to the Kadas amendment in subsection 2 which protects the below 80% people and says the deduction cannot cause you to go below 80%. Senator Waterman also moved over the voted levy (page 3 of the bill). Any time under Section 9-308, whether you are below 80%, the mandatory minimum, that 25% line in HB 23, you have to vote any increase and you are capped at 4%. She brought these two concepts over to HB 22. She said in Senator Brown's amendment he wanted to keep the operating reserve at 20% and play around with the entitlements as long as you were under 4%. Everything else is the same.

Senator Brown asked if his amendment is the same as Senator Waterman's except for this one thing, and Ms. McClure said yes. Senator Brown said his brings it up from 15% to 20%.

Ms. McClure explained the Kadas amendment along with both sets of amendments and Senator Brown said if you apply the 4% concept to the 3.6, then the school district would be able to get .4 of a percent more which would be the upper level of an increase. Ms. McClure said yes, if the voters allowed you to do that.

Ms. McClure said the worst scenario under Senator Waterman's bill is that if the voters say no, you are down 6.1 and the best would be that you would get all but 2.1 back. Under Senator Brown's if the cut was 3.6% and the schools were limited to a 4% increase which had to be voted, and if voted the maximum 4% increase they could gain over and above where they were by .4% of a percent and if they couldn't, the maximum cut would be 3.6. Ms. McClure said that is in the 80-100, the below 80 could not go even \$1 over without a vote, but they have to go the 25%. If you are above 100, you are stuck with either. Senator Brown said the question is whether you want a bigger or lesser hit.

Senator Waterman said there is a difference on whether the people have those reserves as to what it does to them. She said her district would be better with the Brown amendment, but statewide in looking at the over all equity, her amendment would be better.

Senator Stang asked Ms. McClure to explain the 15% and the 20%. Senator Brown is reducing the reliance on reserves, so he would have assumed the figure would have gone the other way. Ms. McClure said basically before it said 15% of the amount to be raised--they cannot exceed 15% of the amount, they could keep 15%. Now they would keep 20%. Senator Brown said the bill as it came from the House, would allow them to keep 15% of what the

millage they impose on their district would raise in their reserve. If you decided to go the other way, you would allow them to keep 20%.

Chair Blaylock asked if Senator Brown was going to take some of the reserves and Senator Brown said the trade-off is that you bring the top down. The across the board cut goes deeper, it is not 2.8, it goes to 3.6 which is the trade to let them keep more in the reserve.

Motion: Senator Waterman moved her amendment (exhibit 1)

Discussion: Senator Waterman said the concern she has with Senator Brown's proposal is that the ink is barely dry on 667 and she is trying to preserve as much of that proposal as possible, recognizing the need to take \$26 million out of this budget. Senator Brown's amendment and Senator Hanson's bill changes the way we figure reserves. If we ultimately end up having to do something with reserves as a compromise, she would prefer staying with the existing way of figuring the reserves and lowering the 10% to 7% or what was needed. She did not believe a special session was the time to change the way we deal with reserves. She said we would be changing the whole way we look at GTB based schools, believed it was unfair and she would resist the Brown proposal.

Senator Yellowtail said he did not get the opportunity to get with Ms. McClure to prepare an amendment over the week end, but offered a concept that would be a third alternative.

Motion withdrawal: Senator Waterman withdrew her motion to hear the proposal by Senator Yellowtail.

Senator Yellowtail proposed an alternative that would 1. reduce the reduction in the proposed 6.1 that Senator Waterman's would consider to 4.5% across the board. 2. eliminate any consideration in this bill as to reserves. 3. permit no increase above the reduced base. To that extent he would propose we even go so far as to place a temporary moratorium on the 104% increase embodied in HB 667 until fiscal year '96. He would propose to preserve the mandatory increases, the phase in increases that are embodied in HB 667 below 80%.

Senator Yellowtail said he believed 4.5% constitutes a real reduction in education across the board; every school district will feel the cut. He wanted every school district to have a genuine increase without permitting school districts to recover to backfill. This should be a genuine decrease and out of respect for the property tax sentiment that is going on, we not permit an increase in the disparity in funding among school districts that the 104% or any voted levy increase would permit. He said Senator Waterman's proposal would allow a school district to increase their budget by 4% and impose an increase. That has the effect of increasing the disparity across the state, as does

the 104% provision of HB 667 and would propose a moratorium on that process until the next legislature has an opportunity to examine where we need to go with this whole process depending on fund ability. In regard to the reserves, he said we heard clear evidence at the hearing, that if we roll reserves into the consideration of this, we use a one time fix and by doing that we have a disparate impact on the schools that can afford the hit the least. He says this does involve a trade-off for schools. Schools will not see this hit on reserves, and there are both winners and losers in that, but we would not get involved in the trap of one-time money, either. This concept has a reduced hit on schools from the 6.1% that is in the Waterman proposal, but the schools will not have the prerogative to even vote an increase in their mill levies.

Senator Toews asked if there was an estimate on the fiscal note for this proposal and Senator Yellowtail said it would be about a \$19 million total increase, compared to the \$26 million we have now.

Ms. McClure clarified points in the proposed amendment for changes necessary if this were to pass.

Senator Stang suggested a vote on the concept of whether we want to use reserves or not before we vote on any of the amendments. He said he had two amendments that deal with the reserve account. One deals with the teachers retirement reserve and another which was too difficult to get drawn up in such a short time that deals with transportation reserves. He said a vote could determine which amendment to discuss, and if we are not to deal with reserves there was no need for his amendments.

Chair Blaylock said he believed that was a crucial point since it made a lot of difference in regard to the amendments.

Senator Waterman asked for an explanation of the Stang proposal on reserves. Senator Stang said his proposal would limit the teacher's retirement reserve and the transportation reserve at 10%. It appeared to him that a number of the administrators that were here this week-end were opposed to using the general operating reserve because of the GTB and it disproportionately hurt different schools. A number of them suggested we look at the other reserves rather than use the general operating reserves. He said he had a problem in introducing them since they had not been introduced and had not been a part of the hearing.

Chair Blaylock said he would like to ask Mr. Nichols and then Ms. Fabiano for their ideas on this and the committee agreed.

Curt Nichols, OBPP, said his understanding is that we have between \$20 million and \$24 million retirement reserves, about \$8 million at the county level and about \$16 million at the district level. How much you would get would depend on the mechanism you

would use, and he was not sure on how you would benefit the state on this. You could reduce the limit and the money would get squeezed out or you might use some other method to more directly take the reserves.

Chair Blaylock asked Mr. Nichols if he had any feeling on dangers that might be present if we would start dealing with teachers retirement reserves or those others and Mr. Nichols said he had not looked at the cash flow problems which are faced in the reserves. The biggest problem in terms of squeezing it out through GTB, the state only pays about 25% of the GTB on retirement so the benefit back would be small.

Kathy Fabiano, OPI, said she did not disagree with anything Mr. Nichols had said. There is about \$8.5 million in the county wide fund for the teacher's retirement and public employees retirement and we pay GTB on the mill on those two county wide funds. There is also a county wide transportation fund that has about \$2.5 million at the end of '93. How much of that you would gain by having them spend down, would depend on how you did it. In transportation, if you just required them to spend it down there would be no savings to the state because our payments for transportation are not driven off the mill levy. There is also about \$17 million in district reserve funds at the end of '93 and that is where the law says the reserve is to be in the district reserves. On county wide funds that are held there at June 30, there is really no law that says what kind of a reserve the county can hold. They are supposed to be reappropriating all those dollars and lowering the mill levy.

Senator Brown said this money is for a purpose, so what is changed if we should divert some of this money into the operational reserve at the end of the year, or required them to spend it down. He asked what we would be jeopardizing. Ms. Fabiano said it is still 110 money, it is still a one time spend down of reserves. One thing that is different is that in the retirement bonds, you don't have the budget amendments, the emergencies that come up that you have in the general fund. You would still have some costs from enrollment if you add teachers, in the county wide retirement fund, there is only the county mill levy and the non-mill levy revenue and the state GTB. There is not as big a variety of revenue sources.

Senator Brown asked if we would be creating a situation where we would be unable to replace or repair a school bus. Ms. Fabiano said you do not have that type of unanticipated expenditures in a retirement fund. School districts do adopt a budget amendment in the retirement fund, but not nearly as frequently as in the general fund.

Senator Brown asked if Lynda Brennan could enlighten the committee on her concept of how we might be able to use the transportation and/or teacher's retirement reserves in a way that could help us to reduce the GTB payments to the school districts.

Ms. Brennan said basically if you just reduce those reserves you are not saving the state any money but it would help out on the local level. If you are trying to save the state dollars and keep the general fund intact, you could come up with a transfer from those funds you choose to bring the reserves down on, into the general fund, which would have an impact by reappropriating more and lowering state subsidy. She reminded the committee that this is a one time transaction and would not be an ongoing savings to the state.

Senator Brown said the one time funding remains, but you would be broadening the pool of reserve money. Instead of just focusing on the operating reserves, you would be focusing on a larger amount. Ms. Brennan said that was correct, and you would leave the general fund reserves alone.

Chair Blaylock said if the transportation and retirement money were put into the general fund, which is strictly forbidden now, it seemed to him it would be a dangerous thing because it has been kept separate all these years for a specific reason, so school districts cannot play with those funds. Ms. Brennan said that was correct, and she was not saying to recover all of them. School districts still need reserves out there, but you might be able to off-set some of the impact on the general fund if you would allow school districts to make a one time transfer into their general fund. To keep this from going off onto the local taxpayers, you would have to adjust the number down so they could not go in next year and backfill the funds.

Senator Stang said he had another bill up, but in case a vote was taken on the concept while he was gone, he does not favor using the reserves if it is not necessary. If we do have to use the reserves he would be back to offer his amendments. If we don't use reserves this year, any school district that has reserves left next year is crazy because we will get them then.

Chair Blaylock asked if the committee had some idea as to whether they wanted to leave the reserves alone or use them. Senator Brown said he was still uncomfortable, and would like to hear from Representative Kadas and Boharski before taking a vote because they know a lot about how they arrived at the 2.8 and the 15% in the reserves etc.

Representative Boharski said his only comment would be to remind the committee that a portion of this problem is a one time problem. He said he did not like to use one time money, either, but we need to remember that about \$7 million of this is only a one time problem. He would prefer approaching the one time problem with one time revenue, then we would have to decide where to take it from.

Chair Blaylock asked what made him so sure this was a one time problem. Representative Boharski said he would refer the answer to Mr. Nichols.

Representative Kadas said in general he would not use reserves. If he were going to use them, he would not use the mechanism proposed by the House because it is so inequitable. You can make an argument that it will not have an affect on equalization this year, clearly it does have an affect in years out. If you are going to use reserves he would suggest using the existing system and lowering the percentage. He did not understand using retirement and transportation very well, but did not see a clean way to do it.

Senator Waterman asked about moving from the 15% to the 20%, what are you talking about in savings for reserves.

Representative Hanson said he would prefer the reserves because he believed it was less, but would refer to Mr. Nichols on it because he would have the numbers.

Curt Nichols said the primary reason they see this as one time is that about \$4 million of the \$9.2 we see in the current year was due to districts below the 80% level moving faster toward the 80% level than we projected. HB 667 basically had a "hole" in it. The fact that districts must move to 80% over 5 years. Just before the session we learned that districts had moved faster than we thought. That increment of faster movement was one time, the goal is still at the same point and the cost at the end of 5 years hasn't changed, it is the speed with which you get there.

Chair Blaylock said he believed there was some dispute Saturday about whether this is only one time and he believed Superintendent Keenan said we have a \$15 million hole the next year.

Mr. Groepper said he believed the committee needs to focus on is what the GTB is today. Obviously the cost of GTB today is not going to go down tomorrow, and we would say the cost will be at least as much in '95 as it is today, probably more because of the increased enrollment. We do not believe the cost of GTB is going to go down in future years, and the cost Superintendent Keenan gave you was the cost we will have to pay out for the foundation program and the GTB for this year, and that is the number you are working from in your budget. We fail to see how next year's cost for GTB will be any less than this year's cost, and cannot see how it can be considered a one time cost.

Senator Brown asked Representative Hanson if he wanted to say anything more about the reserves. Representative Hanson said the reason he supports the reserve is that from all the indication he has, the majority of the students in our educational system are least affected by the 15% and the 2.8%.

Senator Brown said we talk about these "no see'um" cuts as though it is important we inflict misery where it will be most felt and most obvious. He said that might be part of the 6.1 across the board cut. We have heard today that we might not have to cut

that deep to accomplish the purpose here. If we have a general public that is disillusioned and dissatisfied and in some cases angry, we should think carefully about making this as difficult as possible. If we foreclose on the reserve options, we then make it necessary to make the per pupil entitlement cut that much deeper, and therefore he hoped the reserve option could be kept open. One comment made today is that perhaps we have made a mistake in looking at the reserve purely with the idea that it is whatever 15% or 20% of what the millage generates. Senator Waterman has a point in talking about reserves, perhaps we should go back to the 35%, 20%, 10% concept. If Mr. Nichols is correct about the \$7 million, then if we had gone from 10% to 5% of the school district being able to hold their money in reserve, that would have generated around \$9 million. If we could agree that \$7 million is one time revenue, we would not even have to take it to 5%.

Senator Toews said he believes this whole idea of taking the reserves erodes the trust of the people in Montana in this institution. We are the only people in the state that truly believes this reserve money belongs to the state. Most everyone else is convinced this is district or county money and just cannot see going through that pool of money, except as a last resort.

Senator Brenden had looked up his districts and was more confused after looking at them. One district has reserves, the other does not, and had come to the conclusion that we have to have a blend.

Chair Blaylock said he did not believe the committee could get a clear directive from the educational community. Superintendents were in with some saying take the reserves, some will take a big hit and along the Highline there are a number who are saying do not touch our reserves. His conclusion was that it is up to this committee and asked for a vote as to whether the reserves will be put into this mix or left alone.

Motion: Senator Waterman moved the committee not consider reserves as a part of a solution in HB 22.

Discussion: Senator Waterman said when we make cuts in the budget we often hear that people are tired of one time solutions, quick fixes and robbing trust funds and other funds. She believed that is what would happen here, and if it were done she would prefer staying within the structural system we have. Major changes in funding were made in 667 and it is important we let the law stay on the books for a year before we change it again. If we do end up with reserves she would rather lower the 10% to around 7% as opposed to making the structural changes in the system. She had the same concern with what Senator Stang is suggesting. She believed the reserves should be looked at to see if those funds should be outside the FDA account in the first place. It has not had a hearing and is a structural change we do not know enough about in special sessions to take on. Perhaps it

should be looked at in the interim and a solution be proposed in '95. She said she did not understand the one time money issue but was nervous having made a mistake in estimating what would happen with the under 80% schools and then assuming that it will not happen again. She said she believed the committee had to take ownership for what it was doing, and was being dishonest with people if we take the reserves.

Senator Brown said we are talking about the children of the state educational system as well as the philosophy involved and we have to try to remember to the extent we can balance it and make it the most workable, we will probably be doing the best by the school children being affected by the cuts. He said he did not want to foreclose on the option of looking at the reserve aspect to some extent if it becomes necessary to make this work out.

Senator Stang said at the present time he would oppose the use of reserves. He had hoped we could get through this session without the use of the reserves and that the school districts would take a hard look at their reserves in the meantime and realize if they have what we consider excess reserves in any of those accounts, we may not be so kind to them in the next session. This is an opportunity for those districts to spend down some of those reserves and provide some property tax relief at the local level in the next year. He said he would vote against using the reserves except as a last resort, it is the only option we leave for the local boards to offer some property tax relief at the local level.

Vote: The motion to not consider reserves as a solution in HB 22 passed 8-2 with a roll call vote with Chair Blaylock casting a vote for Senator Fritz at his request.

Senator Waterman said she had come in prepared to make the 6.1% and has the amendment drafted on it. She was concerned about the discussion that this is a deeper cut than we need to make and did not want to make it harder on education than necessary.

Senator Yellowtail said his proposed 4.5% reduction is less of a hit on school children and that was his basic consideration. He realized it implies that in the big picture we will have to come up with the additional \$6 million or \$7 million somewhere else and we would have to grapple with it. It could come out of the federal retiree's rebate or the property tax relief issue. This is less of a hit on schools than a 6.1% across the board. The 4.5% is across the board and preserves our position in regard to the underfunded school situation. This would have to be a genuine 4.5% cut and we could not permit schools, at least in the short run, to recoup that cut. He said he had not looked at his schools but knew they could vote themselves an increase with less pain than a less wealthy school district and remain whole. He believed his constituents would be upset with him when he returned home, but it does preserve our position in terms of the lawsuit we face. On the other hand, we will deny the local

people the prerogative of voting themselves an increase if they want it but we are facing a property tax concern in this state and with about 50% of the property tax people voting at a school election and only 51% of the votes cast needed to pass a levy, it leaves about 75% of the taxpayers hit with a tax increase. In the current atmosphere he did not believe that would sell well and he would place a moratorium until the 1995 legislature meets.

Senator Toews asked if it were true that they were not looking at the \$26 million on cuts because we put in the Kadas amendment to the Kadas amendment which cost us \$1.8 million. Representative Kadas said we are over the \$26 million. There are three components to the cuts, the \$11.2 million that comes from the 2.8%, then there is the \$15 million from the reserves and that made up the \$26 million. He said his amendment generated another \$1.8 million and no one expected that money to be there, so it is being figured in the ending balance now. If you take it out the ending balance goes from \$13 million to \$11 million, but he did not believe it had been figured in the \$26 million. If the second amendment passed and nothing else was done to the bill, you would have a \$26 million cut.

Motion: Senator Waterman moved her amendment (exhibit 1) but substituted 4.5% for the 6.1% cut which will be about a \$19 million cut.

Discussion: Senator Waterman said she believed we need to preserve the ability of local school districts to vote. She believed that was one of the criticisms of what was done in 667 because of the permissive levy. She wanted to preserve the right for the local districts to vote and recoup at least a part of the 4.5% cut if they so desired.

Amendment to Motion: Senator Yellowtail moved to amend Senator Waterman's motion to permit no voted increases until the 1995 session.

Vote: Senator Yellowtail's amendment failed 4 voting yes, 6 voting no on a roll call vote.

Discussion: Senator Brenden asked Senator Waterman to explain her motion again. Senator Waterman said it was the amendment Ms. McClure explained (exhibit 1) with the exception that the 6.1% is now 4.5%, which instead of a \$26 million reduction, would be approximately \$19 million. Districts will be forced to reduce their budgets by 4.5% and they can recoup 4% of that adjusted base through a voted levy. At a minimum they would be cut .5% and at a maximum 4.5%.

Senator Brown said if we foreclose on the reserve option and foreclose on the 6.1% option, it would appear we have a majority in the committee to pass Senator Waterman's motion. He was concerned with the \$19 million amount when we are trying to get to the \$26 million. He believed this was a better proposal from

the standpoint of the school kids in the state than the 6.1% was, but it may not be fiscally responsible in this special legislative session. He said he would have to vote against the proposal at this time.

Senator Wilson asked if someone would explain where the \$7 million went. Senator Waterman said she lowered the reduction in her amendment by \$7 million. If Mr. Nichols is correct we do not need to make that \$7 million cut which would reduce the cut from \$26 million to \$19 million.

Mr. Nichols said we do have a \$54 million problem and we do need the \$7 million this time. The question is whether it is ongoing in the next biennium.

Senator Brown said if he understood correctly the problem would be \$19 million, but in 1993 we are forced with the additional \$7 million.

Senator Stang said this is where we have to decide whether we are going to fund education and take care of the children in this state or to fund the lawsuits by federal retiree's that have not been settled. When he listened to the testimony of their lawyer in Senate Taxation saying he did not favor either proposal because it did not have enough in for his law fees, it doesn't matter whether we fund it or not. If that group is not going to settle with us, the case will go to court and we will find whether we have to settle or not. He pointed out that we have not set the money aside before, the cost will be the same if we lose, and suggested using the money to fund education for the kids rather than fund something that has not been decided yet and may not be decided for a couple years.

Vote: Senator Waterman's motion passed 6 yes, 4 no, roll call vote.

Senator Gage said the Senate Committee heard SB 1 and it was addressing the same section of the code as HB 22, he requested the Taxation Committee not act on that bill so we could perhaps amend HB 22 if the committee should so desire. The bill changes the codes to tell the schools that with regard to their non-mill revenues, they must use their previous year's income in setting their current budget as opposed to anticipated revenues. This bill just changes that back to anticipated revenues. He said some of the schools were anticipating less revenue than they were receiving and were able to increase their voted levy and the GTB schools were getting more guaranteed tax base aid. The other side is that if the non-mill revenues are increasing and you make them use the prior year, they will get more revenue than anticipated and they won't have to use the higher figures and will be getting more GTB. He gave some examples and said this bill says to the districts, if they know there are some things that are not going to happen, we will allow you to anticipate those things in determining your non-mill revenues.

Chair Blaylock asked what happened to this bill before the Taxation Committee and Senator Gage said when they held the bill in committee, there were no opponents to the bill as he recalled.

Senator Blaylock asked why he was bringing the bill to the committee and Senator Gage said the same section of the law applies in this bill as in HB 22. (20-9-104) Ms. McClure said it is not in HB 22 because of Senator Waterman's amendments. It would have been in Senator Brown's amendments. She said because the committee is not doing reserves, that section is not in HB 22.

Senator Toews asked Senator Gage if he planned on bringing the bill to the floor so the problem could be addressed and Senator Gage said yes.

Representative Hanson said if you are taking out the reserve section, what happens to our change of cash flow in going up to that 20% for the August payment. Ms. McClure said it is not in the bill. Representative Hanson said since it is not in the bill we are postponing \$28 million in arrears again, and instead of making the districts whole and spending the money they should, we are now throwing it out.

Motion/Vote: Senator Waterman moved HB 22 as amended be concurred in. Motion passed 7 yes, 3 no, roll call vote.


Motion/Vote: Senator Waterman moved HB 23 be tabled. Motion passed with Senator Toews voting no.

ADJOURNMENT

Adjournment: 12:10 p.m.



SENATOR BLAYLOCK, Chair



SYLVIA KINSEY, Secretary

CB/sk

ROLL CALL

SENATE COMMITTEE EDUCATION AND CULTURAL RESOURCES DATE

12-13-93

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BLAYLOCK Chair	✓		
SENATOR FRITZ, V.C.			✓
SENATOR BRENDEN	✓		
SENATOR BROWN	✓		
SENATOR HERTEL	✓		
SENATOR STANG	✓		
SENATOR TOEWS	✓		
SENATOR WILSON	✓		
SENATOR WATERMAN	✓		
SENATOR YELLOWTAIL	✓		

SENATE STANDING COMMITTEE REPORT

Page 1 of 6
December 13, 1993

MR. PRESIDENT:

We, your committee on Education and Cultural Resources having had under consideration House Bill No. 22 (third reading copy -- blue), respectfully report that House Bill No. 22 be amended as follows and as so amended do pass.

Signed: Chet Blaylock
Senator Chet Blaylock, Chair

That such amendments read:

1. Title, line 5 through page 2, line 20.

Following: "ENTITLED:" on line 5

Strike: remainder of line 5 through page 2, line 20 in their entirety

Insert: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 4.5 PERCENT; REQUIRING VOTER APPROVAL FOR THE BASE BUDGET PORTION OF A SCHOOL DISTRICT GENERAL FUND THAT EXCEEDS THE MANDATORY GROWTH LEVELS; REQUIRING VOTER APPROVAL FOR THE OVER-BASE BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; LIMITING THE OVER-BASE BUDGET OF A DISTRICT TO 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; REQUIRING THE TRUSTEES OF A SCHOOL DISTRICT TO DEDUCT 4.5 PERCENT FROM THE GENERAL FUND BUDGET FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1994, FOR THE PURPOSES OF BUDGETING FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1995, IF THE DEDUCTION WILL NOT CAUSE A SCHOOL DISTRICT BUDGET TO FALL BELOW THE BASE BUDGET; AMENDING SECTIONS 20-9-306 AND 20-9-308, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, it is the intent of the Legislature to acknowledge and to support the constitutional role of the boards of trustees to supervise and control the public school districts of the state. However, it is also the intent of the Legislature to request that each board of trustees of a school district carefully review the district's expenditures for school administration, extracurricular activities, extracurricular athletics, and special education. The Legislature further requests that, as a result of this investigation, the boards of trustees consider and pursue the possibilities of consolidating school districts."

M Amd. Coord.
SB Sec. of Senate

131234SC.Sma

2. Page 2, line 23 through page 33, line 23.

Strike: everything after the enacting clause

Insert: "Section 1. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

- (1) "BASE" means base amount for school equity.
- (2) "BASE aid" means:
 - (a) direct state aid for 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district; and
 - (b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.
- (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.
- (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.
- (5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.
- (6) "Basic entitlement" means:
 - (a) ~~\$200,000~~ \$191,000 for each high school district; and
 - (b) ~~\$18,000~~ \$17,190 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and
 - (c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:
 - (i) ~~\$18,000~~ \$17,190 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus
 - (ii) ~~\$200,000~~ \$191,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.
- (7) "Direct state aid" means 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county

equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

(a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,900~~ \$4,680 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,500~~ \$3,343 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,343 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$4,900~~ \$4,680 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

Section 2. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and maximum general fund budgets.

(1) ~~For the school fiscal year beginning on July 1, 1993, the~~ The trustees of a district shall adopt a general fund budget that:

(a) except as provided in subsection (2), is at least equal to the BASE budget established for the district; or

(b) except as provided in subsection (4), does not exceed the maximum general fund budget established for the district.

(2) (a) If the BASE budget for a district ~~for the school fiscal year beginning on July 1, 1993,~~ is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:

(i) may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; but

(ii) may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:

~~(A) 20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B) 25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;~~

~~(C) 33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;~~

~~(D) 50% of the range between the district general fund budget for the school fiscal year ending June 30, 1996, and the BASE budget for the district for the school fiscal year beginning July 1, 1996; or~~

~~(E) the remainder of the range between the district general fund budget for the school fiscal year ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1, 1997.~~

~~(b) (i) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (2)(a).~~

~~(ii) Except for the school fiscal year beginning July 1, 1993, whenever Whenever the trustees of a district adopt a general fund budget that exceeds one of the limitations in subsection (2)(a) (ii) but does not exceed the BASE budget for the district, the trustees shall submit a proposition on the amount that exceeds the limitation to the electors of the district, as provided in 20-9-353.~~

(c) Nothing in this section is intended to require a district to budget in excess of its BASE budget.

(3) (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall-

~~(a) adopt a resolution stating the reasons and purposes for exceeding the BASE budget amount if the submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount that exceeds the previous year's general fund budget amount or the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes.~~

(b) A general fund budget adopted under this subsection (3) does not exceed the greater of:

(i) 104% of the previous year's general fund budget; or

(ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; or

~~(b) except for the school fiscal year beginning July 1, 1993, submit a proposition on any amount of the over-BASE budget that exceeds one of the limitations in subsection (3)(a) to the electors of the district, as provided in 20-9-353.~~

~~(c) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (3)(a).~~

(4) (a) If the maximum general fund budget for a district for an ensuing school fiscal year is less than the general fund budget for the district for the current school fiscal year, the trustees of the district may not adopt a general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget for the current school fiscal year.

(b) Except for the school fiscal ~~years~~ year beginning July 1, 1993, and July 1, 1994, the trustees of the district shall submit a proposition to raise any general fund budget amount that is in excess of the maximum general fund budget for the district to the electors who are qualified under 20-20-301 to vote on the proposition, as provided in 20-9-353.

(5) Whenever the trustees of a district adopt a general fund budget that does not exceed the BASE budget for the district, the trustees shall finance this amount with the following sources of revenue:

(a) state equalization aid as provided in 20-9-343, including any guaranteed tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

(b) county equalization aid, as provided in 20-9-331 and 20-9-333;

(c) a district levy for support of a school not approved as an isolated school under the provisions of 20-9-302;

(d) payments in support of special education programs under the provisions of 20-9-321;

(e) nonlevy revenue as provided in 20-9-141; and

(f) a BASE budget levy on the taxable value of all property within the district.

(6) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all property within the district or other revenue available to the district as provided in 20-9-141.

[(7) For the purpose of this section, the general fund budget or general fund per-ANB budget for the school fiscal year ending June 30, 1993, is the general fund budget funded by any state, local, and federal revenue, excluding Public Law 81-874

receipts received in the school fiscal year ending June 30, 1993. Before excluding any Public Law 81-874 funding, a district may increase the district general fund budget for the school fiscal year ending June 30, 1993, by the allowable increases in subsections (2) and (3).]"

NEW SECTION. Section 3. Budget reduction -- exceptions.

(1) Except as provided in subsection (2), for calculating and adopting a general fund budget for the school fiscal year ending June 30, 1995, as provided in 20-9-306 and 20-9-308 for that school year, the trustees of a district shall deduct 4.5% from the general fund budget for the school fiscal year ending June 30, 1994.

(2) The deduction required under subsection (1):

(a) does not apply to a school district with a general fund budget that is below the BASE budget; and

(b) may not cause a general fund budget of a school district to fall below the BASE budget for the school fiscal year ending June 30, 1994.

NEW SECTION. Section 4. Effective date -- applicability.

[This act] is effective on passage and approval and applies to budgets for the school year beginning July 1, 1994."

-END-

ROLL CALL VOTE ①

SENATE COMMITTEE EDUCATION AND CULTURAL RESOURCES, ⁺BILL NO.
 HB 22

DATE 12-13-93 TIME 10:37 A.M. P.M.

NAME	YES	NO
SENATOR FRITZ, V.C.	✓	
SENATOR BRENDEN		✓
SENATOR BROWN		✓
SENATOR HERTEL	✓	
SENATOR STANG	✓	
SENATOR TOEWS	✓	
SENATOR WILSON	✓	
SENATOR WATERMAN	✓	
SENATOR YELLOWTAIL	✓	
SENATOR BLAYLOCK, Chair	✓	
	8	2

 SECRETARY

 CHAIR

MOTION: Leave Reserves Alone

Motion by Waterman
 RCALVOTE.F09

ROLL CALL VOTE (2)

SENATE COMMITTEE EDUCATION AND CULTURAL RESOURCES ✓ BILL NO. HB 22

DATE 12-13-93 TIME 10:52 (A.M.) P.M.

NAME	YES	NO
SENATOR FRITZ, V.C.	✓	
SENATOR BRENDEN		✓
SENATOR BROWN		✓
SENATOR HERTEL		✓
SENATOR STANG		✓
SENATOR TOEWS		✓
SENATOR WILSON	✓	
SENATOR WATERMAN		✓
SENATOR YELLOWTAIL	✓	
SENATOR BLAYLOCK, Chair	✓	
	4	6

SECRETARY

CHAIR

MOTION: Yellow Amend Water

to extent to the

RCALVOTE.F09

Permit no
✓ - w - g

SEN. YELLOWTAIL
MOVED TO AMEND
SEN. WATERMAN'S
MOTION TO PERMIT NO
VOTED INCREASES UNTIL

ROLL CALL VOTE (3)

SENATE COMMITTEE EDUCATION AND CULTURAL RESOURCES 4 BILL NO. HB 22

DATE 12-13-93 TIME 10: A.M. P.M.

NAME	YES	NO
SENATOR FRITZ, V.C.	✓	
SENATOR BRENDEN		✓
SENATOR BROWN		✓
SENATOR HERTEL		✓
SENATOR STANG	✓	
SENATOR TOEWS		✓
SENATOR WILSON	✓	
SENATOR WATERMAN	✓	
SENATOR YELLOWTAIL	✓	
SENATOR BLAYLOCK, Chair	✓	
	6	4

SECRETARY

CHAIR

MOTION: Water Am 2 6.1 to 4.5

Water Am, SEN. WATERMAN MOVED HER AMENDME
RCALVOTE.F09 BUT SUBSTITUTED 4.5% FOR THE 6.1%
CUT.

RCALVOTE.F09

ROLL CALL VOTE (4)

SENATE COMMITTEE EDUCATION AND CULTURAL RESOURCES ~~H~~ BILL NO.
HB 22

DATE 12-13-93 TIME 11:03 A.M. P.M.

NAME	YES	NO
SENATOR FRITZ, V.C.	✓	
SENATOR BRENDEN		✓
SENATOR BROWN		✓
SENATOR HERTEL	✓	
SENATOR STANG	✓	
SENATOR TOEWS		✓
SENATOR WILSON	✓	
SENATOR WATERMAN	✓	
SENATOR YELLOWTAIL	✓	
SENATOR BLAYLOCK, Chair	✓	
	7	3

SECRETARY

CHAIR

MOTION:

HB 22 92
SEN. WATERMAN MOVED HB 22 AS AMENDED
RCALVOTE.F09 BE CONCURRED IN.

Amendments to House Bill No. 22
Third Reading Copy

4431
S
EXHIBIT NO. 1
AM DATE 12-13-93
BILL NO. HB 22
Requested by Senator Waterman
For the Committee on Senate Education
Prepared by Eddye McClure
December 12, 1993

1. Title, line 5 through page 2, line 20.
Following: "ENTITLED:" on line 5
Strike: remainder of line 5 through page 2, line 20 in their
entirety

Insert: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANB
ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 6.1 PERCENT;
REQUIRING VOTER APPROVAL FOR THE BASE BUDGET PORTION OF A
SCHOOL DISTRICT GENERAL FUND THAT EXCEEDS THE MANDATORY
GROWTH LEVELS; REQUIRING VOTER APPROVAL FOR THE OVER-BASE
BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS THE
PREVIOUS YEAR'S GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S
GENERAL FUND BUDGET PER-ANB; LIMITING THE OVER-BASE BUDGET
OF A DISTRICT TO 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL
FUND BUDGET OR 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL
FUND BUDGET PER-ANB; REQUIRING THE TRUSTEES OF A SCHOOL
DISTRICT TO DEDUCT 6.1 PERCENT FROM THE GENERAL FUND BUDGET
FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1994, FOR THE
PURPOSES OF BUDGETING FOR THE SCHOOL FISCAL YEAR ENDING JUNE
30, 1995, IF THE DEDUCTION WILL NOT CAUSE A SCHOOL DISTRICT
BUDGET TO FALL BELOW THE BASE BUDGET; AMENDING SECTIONS 20-
9-306 AND 20-9-308, MCA; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE AND AN APPLICABILITY DATE.

WHEREAS, it is the intent of the Legislature to acknowledge
and to support the constitutional role of the boards of trustees
to supervise and control the public school districts of the
state. However, it is also the intent of the Legislature to
request that each board of trustees of a school district
carefully review the district's expenditures for school
administration, extracurricular activities, extracurricular
athletics, and special education. The Legislature further
requests that, as a result of this investigation, the boards of
trustees consider and pursue the possibilities of consolidating
school districts."

2. Page 2, line 23 through page 33, line 23.
Strike: everything after the enacting clause
Insert: "Section 1. Section 20-9-306, MCA, is amended to read:
"20-9-306. Definitions. As used in this title, unless the
context clearly indicates otherwise, the following definitions
apply:

- (1) "BASE" means base amount for school equity.
- (2) "BASE aid" means:

(a) direct state aid for 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) ~~\$200,000~~ \$187,800 for each high school district; and

(b) ~~\$18,000~~ \$16,902 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:

(i) ~~\$18,000~~ \$16,902 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) ~~\$200,000~~ \$187,800 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.

(7) "Direct state aid" means 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

(a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,900~~ \$4,601 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess

of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,500~~ \$3,287 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,287 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$4,900~~ \$4,601 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

{ Internal References to 20-9-306: None. }

Section 2. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and maximum general fund budgets.

(1) ~~For the school fiscal year beginning on July 1, 1993, the~~ The trustees of a district shall adopt a general fund budget that:

(a) except as provided in subsection (2), is at least equal to the BASE budget established for the district; or

(b) except as provided in subsection (4), does not exceed the maximum general fund budget established for the district.

(2) (a) If the BASE budget for a district ~~for the school fiscal year beginning on July 1, 1993,~~ is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:

(i) may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; but

(ii) may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:

(A) ~~20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B)~~ 25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;

~~(C)~~ (B) 33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;

~~(D)~~ (C) 50% of the range between the district general fund budget for the school fiscal year ending June 30, 1996, and the

BASE budget for the district for the school fiscal year beginning July 1, 1996; or

~~(E)(D)~~ the remainder of the range between the district general fund budget for the school fiscal year ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1, 1997.

~~(b) (i) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (2)(a).~~

~~(ii) Except for the school fiscal year beginning July 1, 1993, whenever~~ Whenever the trustees of a district adopt a general fund budget that exceeds one of the limitations in subsection (2)(a)(ii) but does not exceed the BASE budget for the district, the trustees shall submit a proposition on the amount that exceeds the limitation to the electors of the district, as provided in 20-9-353.

(c) Nothing in this section is intended to require a district to budget in excess of its BASE budget.

(3) (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall:

~~(a) adopt a resolution stating the reasons and purposes for exceeding the BASE budget amount if the submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount that exceeds the previous year's general fund budget amount or the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes.~~

~~(b) A general fund budget adopted under this subsection (3) does not exceed the greater of:~~

~~(i) 104% of the previous year's general fund budget; or~~

~~(ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; or~~

~~(b) except for the school fiscal year beginning July 1, 1993, submit a proposition on any amount of the over BASE budget that exceeds one of the limitations in subsection (3)(a) to the electors of the district, as provided in 20-9-353.~~

~~(c) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (3)(a).~~

(4) (a) If the maximum general fund budget for a district for an ensuing school fiscal year is less than the general fund budget for the district for the current school fiscal year, the trustees of the district may not adopt a general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget for the current school fiscal year.

(b) Except for the school fiscal years year beginning July 1, 1993, and July 1, 1994, the trustees of the district shall submit a proposition to raise any general fund budget amount that is in excess of the maximum general fund budget for the district to the electors who are qualified under 20-20-301 to vote on the proposition, as provided in 20-9-353.

(5) Whenever the trustees of a district adopt a general fund budget that does not exceed the BASE budget for the district, the trustees shall finance this amount with the following sources of revenue:

(a) state equalization aid as provided in 20-9-343, including any guaranteed tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

(b) county equalization aid, as provided in 20-9-331 and 20-9-333;

(c) a district levy for support of a school not approved as an isolated school under the provisions of 20-9-302;

(d) payments in support of special education programs under the provisions of 20-9-321;

(e) nonlevy revenue as provided in 20-9-141; and

(f) a BASE budget levy on the taxable value of all property within the district.

(6) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all property within the district or other revenue available to the district as provided in 20-9-141.

[(7) For the purpose of this section, the general fund budget or general fund per-ANB budget for the school fiscal year ending June 30, 1993, is the general fund budget funded by any state, local, and federal revenue, excluding Public Law 81-874 receipts received in the school fiscal year ending June 30, 1993. Before excluding any Public Law 81-874 funding, a district may increase the district general fund budget for the school fiscal year ending June 30, 1993, by the allowable increases in subsections (2) and (3).]

{ Internal References to 20-9-308:

x20-6-703	x20-7-435	x20-9-141	x20-9-303
x20-9-307	x20-9-353	20-9-353	20-9-353
20-9-353			

NEW SECTION. Section 3. Budget reduction -- exceptions.

(1) Except as provided in subsection (2), for calculating and adopting a general fund budget for the school fiscal year ending June 30, 1995, as provided in 20-9-306 and 20-9-308 for that school year, the trustees of a district shall deduct 6.1% from the general fund budget for the school fiscal year ending June 30, 1994.

(2) The deduction required under subsection (1):

(a) does not apply to a school district with a general fund budget that is below the BASE budget; and

(b) may not cause a general fund budget of a school district to fall below the BASE budget for the school fiscal year ending June 30, 1994.

NEW SECTION. Section 4. Effective date -- applicability.

[This act] is effective on passage and approval and applies to budgets for the school year beginning July 1, 1994."

Senate Committee on Education & Cultural Resources

December 13, 1993

Exhibit #2 was not transmitted with the minutes.