

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on February 13, 1995, at
3:00 p.m.

ROLL CALL

Members Present:

Rep. Tom Zook, Chairman (R)
Rep. Edward J. "Ed" Grady, Vice Chairman (Majority) (R)
Rep. Joe Quilici, Vice Chairman (Minority) (D)
Rep. Beverly Barnhart (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Gary Feland (R)
Rep. Marjorie I. Fisher (R)
Rep. Don Holland (R)
Rep. Royal C. Johnson (R)
Rep. John Johnson (D)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Matt McCann (D)
Rep. William T. "Red" Menahan (D)
Rep. Steve Vick (R)
Rep. William R. Wiseman (R)

Members Excused: None.

Members Absent: None.

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Marjorie Peterson, Committee Secretary

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

Committee Business Summary:

Hearing: HB 390, HB 416, HB 420, HB 422
Executive Action: HB 65 DO PASS--Technical Action Only

HEARING ON HB 390Opening Statement by Sponsor:

REP. MIKE KADAS, HD 66, Missoula, stated that after watching years of tuition increases by the university system, he introduced this bill to tie the amount of state financial aid to the amount of tuition, whereas, when tuition increases, state financial aid would also increase. This bill would require the Board of Regents to pay an equal 5% of tuition revenue collected for work-study programs. This would help keep students from going into debt when getting an education. This bill would also be a vehicle to address financial aid issues, so students would not be kept out of school mainly because of financial resources.

Proponents' Testimony:

Steve Snezek, Associated Students, Bozeman and Billings, said the students support the intent of the bill, but question whether 5% is appropriate. He referred to the fiscal note where it said that tuition increases of \$2.5 million a year would be required if offsetting reductions were not made in other university system expenditures. He said the students don't want to be pushed into the position to tell the university they must cut their budget another 5% or raise tuition. He thinks the purpose should be that the money should come back directly to the students in the form of work-study programs. The students proposed to fully support the bill if it was reduced to 2%.

Opponents' Testimony:

Jeff Baker, Commissioner of Higher Education, supports the intent of the bill from the standpoint of shifting higher education financing and the need to help students with rising tuition rates. He said the state contributes financial aid and the student contributes by paying tuition. He doesn't oppose the concept, but opposes the funding that REP. KADAS suggested, that of a 70%/30% split, with the state paying 70% and employers of the work-study programs paying 30%. He thinks a 50%/50% split would make more sense. He has worked with the Education subcommittee and has given them their recommendations for the next two years. EXHIBIT 1.

Questions From Committee Members and Responses:

REP. STEVE VICK, HD 31, Belgrade, wanted to know who decides the state/employer split of 50%/50%. Mr. Baker did not know yet, but would find out.

Closing by Sponsor:

REP. KADAS closed by thanking the committee for their consideration of this bill.

{Tape: 1; Side: A; Approx. Counter: 14.8.}

HEARING ON HB 416**Opening Statement by Sponsor:**

REP. JEANETTE MCKEE, HD 60, Hamilton, opened the hearing on HB 416 which appropriates money to pay state advances and reimbursements for school facilities. The fiscal impact would be \$1.5 million for 1996 and \$2 million for 1997. State reimbursements for school facilities would be prorated at 76%. She said the bill would limit the distribution of state aid to districts that sold bonds after 1991. Local property taxes would be reduced by the same amount in those districts that qualify for school facility reimbursement. This bill also deletes Section 8 which deals with ballots for bond elections. She said she did not intend to change how ballots and elections were conducted. EXHIBITS 2 and 3.

Proponents' Testimony:

Madalyn Quinlan, Office of Public Instruction, said the appropriations in this bill were included in the Governor's budget. She said a bill in an earlier session created the system for state reimbursement for school facilities, which basically provides assistance to any school district that has outstanding debts. If the program was completely funded, the annual state costs would be about \$12 million. She said the amount of funding in this bill makes more sense and would enable them to continue the current practice of limiting reimbursements to school districts that sold bonds after 1991. She agrees with deleting Section 8 because they don't like to amend ballot language. She said this bill included the proper language and intent.

Ron Zier, Superintendent, Manhattan Schools, said the Manhattan High School was constructed in 1922 and has been through a few earthquakes. Enrollment has grown 60% since 1989 as the area is experiencing a population growth. They tried to pass two bond issues in 1994 and they both failed because people thought the tax burden was too high and did not support a new high school. He said this bill would be a step towards equalizing capital outlay, providing state support for qualifying districts, reducing burden to taxpayers in some districts and, hopefully, would allow people to feel more comfortable in supporting other bond issues.

Harry Evath, Superintendent, Belgrade Schools, said his school is also growing and had increased by 100 students last year. Since 1990, they have added five classrooms a year and would appreciate support for the bill.

Pat Haffey, Governor's Office, said the Governor supports HB 416. It is a good bill as it concentrates equalization support on those districts that have to build new buildings and helps meet constitutional mandates to equalize state schools. They met with staff from the Office of Public Instruction and fully support the bill.

Tom Bilodeau, Montana Education Association, also supports the bill. It has been discussed over many legislative sessions and he wants the committee to consider the "roller-coaster" effect on mills and how this bill would improve the method by which districts are financed.

Jay Driscoll, Montana Federal State Employees, also supports HB 416.

Cliff Roessner, Helena Public Schools, said that Helena schools have been put on advised status because of their facilities. In the two high schools in Helena, there were 2,000 students enrolled; by the year 2000, they expect an additional 1,000 students. They are presently studying the problems and possible solutions. He thinks this bill would unconditionally serve to improve their status.

Gene Huntington, Dain Bosworth, said his company has financial advisers for school districts that sell bonds. He said the bottom line is when the local school board wants to have a bond issue and the taxpayers disapprove. He explained that they have a standard bond issue for 20 years, the new bonds are then approved and the next year they levy debt service to make payments on the bonds; they make them every year for 20 years. In fact, he said, they reimburse the state in the 21st year. He said the bill would clarify the match year's reimbursements to years levied and the mechanics would be vastly improved.

REP. DUANE GRIMES, HD 39, Clancy, recommended an amendment that would help his school district where there is a higher number of students who transfer to another district. Section 6, page 6, line 30, he would add, "for the purpose of calculating its maximum bonded indebtedness under this subsection, a district may include ANB of the district plus the number of students residing within the district for which the district or county pays tuition to attend school in an adjacent district." There are many students who live in his district but attend high school in Helena and he proposed this amendment to deal with that problem.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. MIKE KADAS, HD 66, Missoula, asked what makes a district eligible for a certain number of dollars. Ms. Quinlan said there were two things: (1) if a district mill value per ANB is less than statewide average, or (2) if a district has outstanding debts since 1991, then they would be eligible for state reimbursement for facilities.

REP. WILLIAM WISEMAN, HD 41, Great Falls, said that some school districts use the money at the end of a year on unwise investments so they don't lose it, and that they would rather put it in a building reserve fund if the statutes would let them. Ms. Quinlan agreed that districts had an incentive to spend the money. She said there was another bill that would allow districts to transfer from their general fund budget to their building reserve fund.

{Tape: 1; Side: A; Approx. Counter: 45.3.}

REP. ROYAL JOHNSON, HD 10, Billings, asked if the program would be fully funded by the amount appropriated in this bill. Ms. Quinlan said OPI's estimate is the program would be funded at 76%. REP. JOHNSON asked if they had calculated the fiscal impact for the following biennium and the number of qualified districts that sold bonds. Ms. Quinlan said with \$1.5 million the first year and \$2 million the following year, it is still only 76% funded.

REP. DON HOLLAND, HD 7, Forsyth, asked REP. MCKEE if she intended to sign the fiscal note. She said she agreed with it and would sign it.

Closing by Sponsor:

REP. MCKEE said there were districts where the student population is growing rapidly and urged the committee to provide the facilities that are a necessary component of quality education.

{Tape: 1; Side: A; Approx. Counter: 51.3.}

HEARING ON HB 420Opening Statement by Sponsor:

REP. DAVID EWER, HD 53, Helena, said HB 420 cleans up language in the statutes by revising the laws relating to issuance and repayment of bonds by local governments and school districts. Title 7 of the current statutes should be cleaned up on a case-by-case basis. This bill addresses a very technical procedure on how bonds are issued. He doesn't think there are many policy issues included and the changes would make the law more efficient. Investment markets, technology and people's attitudes have changed over the years, and Title 7 needs to be updated to meet those changes. He read some of the changes in amortization bonds, resolution to sell bonds, form of sale of bonds, publication of notice to sell bonds, form and execution of bonds and printing bonds. The current language is very archaic and this bill clarifies and updates procedures.

{Tape: 1; Side: B; Approx. Counter: 0.1.}

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. MARJORIE FISHER, HD 80, Whitefish, noted on page 29, line 18, that 30 years was changed to 40 years. REP. EWER said there was a market for 40-year bonds, particularly with Farmers' Home Administration.

REP. EDWARD GRADY, HD 55, Canyon Creek, said D.A. Davidson, Inc. sent a fax to the committee and they are in full support of the bill.

REP. ROGER DEBRUYCKER, HD 89, Floweree, asked why the date for mailing a publication notice was increased from 15 to 30 days. REP. EWER said that a 30-day notice was now an industry standard.

Closing by Sponsor:

REP. EWER said since he wasn't an attorney, he hoped he had explained the bill successfully. He would be interested in

attending executive action on this bill to clarify any other issues.

{Tape: 1; Side: B; Approx. Counter: 26.1.}

HEARING ON HB 422

Opening Statement by Sponsor:

REP. SONNY HANSON, HD 9, Ashland, said HB 422 was a simple bill of 62 pages that revised the collection and transmission of state and county revenue for public school districts and transfers supervision of financial aid from the Office of Public Instruction (OPI) to the Department of Administration (DOA). It also eliminates the state equalization aid account and combines the 33-mill county equalization levy for elementary schools and the 22-mill county equalization levy for high schools into a 55-mill county equalization levy for schools. It transfers to the state treasurer certain functions concerning federal land payments from the state auditor's office. The bill would be effective July 1, 1996. He submitted a summary of the 71 sections that were amended. REP. HANSON wanted this bill to change the mechanics of school district funding, not the dollar amounts. He asked why OPI should authorize transfer of funds for budgets when it should be done at DOA. He met with school board administrators, OPI staff and county commissioners to come up with the new standards in this bill. He further stated that there would be no net impact on state revenue. The funding from the state equalization aid account would be diverted and reallocated to the general fund. The general fund costs only increase by \$46,000 in FY 97. EXHIBITS 4 and 5.

Proponents' Testimony:

None.

Opponents' Testimony:

Gregg Groepper, Office of Public Instruction, Helena, testified that HB 422 duplicates audit and program responsibilities, and is unconstitutional. OPI receives and distributes federal funds which DOA could not automatically take over. DOA would have to review school district audits that affect distribution of general funds. This would double the bureaucracy. He further stated that the school accreditation reporting system collects enrollment information and average daily attendance which provides ANB information for budgets. It isn't clear how DOA would get ANB information to calculate school budgets. He said that HB 422 attempts to reassign constitutional power by statutes

and moves executive functions of education to the Governor's office. The principle of separation of powers does not allow the legislature to redistribute executive power. **EXHIBIT 6.**

Larry Fasbender, Great Falls Public Schools, Great Falls, said this legislation wouldn't change as far as schools were concerned, but it does create problems on whether school administrators call OPI for some answers and DOA for others. One of the biggest problems that could impact the schools would be to create chaos for the districts. This legislation does not clearly save any money so it seems unnecessary to make these disturbing changes. However, it does add \$46,000 as an additional cost in FY 97.

Don Waldron, Montana Rural Education Association, said his association encompasses 160 small school districts, with 30 being elementary schools. Besides the unnecessary changes in this bill, it should be put off until the legislature finishes making other changes with OPI that they are currently working on. This could be discussed in detail at that time.

Questions From Committee Members and Responses:

REP. MIKE KADAS, HD 66, Missoula, asked why **REP. HANSON** was making the questionable changes when everything involved seems to be working just fine. **REP. HANSON** said it was an antiquated system and a lot of the duties in the school districts are done electronically instead of sending in paper forms to Helena. He also said there was an inherent reluctance to make a change.

REP. WILLIAM WISEMAN, HD 41, Great Falls, said Cascade County did not have a school superintendent anymore. **Mr. Fasbender** said those functions were transferred to the county auditor's office. **REP. WISEMAN** asked **Mr. Groepper** if OPI has auditors that audit the schools. **Mr. Groepper** said that school districts can contract for an audit; OPI's responsibilities under state and federal law are to review those audits because frequently there are discrepancies discovered. There are three people in OPI that review the audits from 495 school districts and one-third are audited every two to five years. **REP. WISEMAN** asked if the three people were just auditors and **Mr. Groepper** said that they have other duties. They all have accounting backgrounds and one is a CPA. He further stated that the school districts don't pay OPI for the audits, it's just in the statutes. **REP. WISEMAN** asked **REP. HANSON** that most of the objection from OPI had to do with federal funds and yet the federal funds appear to be the cleanest and most simplest part. **REP. HANSON** said that was true; he specifically left out all the federal funds because the federal government is presently in the process of making changes. He did not include any changes in the bill that would involve Title 1, Title 2 or Special Education.

REP. JOE QUILICI, HD 36, Butte, asked why the legislation was needed if, in fact, it duplicates duties between agencies. **REP. QUILICI** is also concerned that the fiscal note takes the assets from the department to make the process work, even though only three FTEs are involved in the move. It is still agreeable to him that OPI would be the place to handle school district budgets and duties. **REP. QUILICI** asked if anyone from DOA could answer how this bill might work. **Connie Griffith** said that she does not know much about the detail mechanics of school funding because that has always been handled at OPI. DOA does not want to transfer the whole system and they want OPI to maintain the programs there.

{Tape: 2; Side: A; Approx. Counter: 0.1.}

She said she was not sure how it would work and maybe OPI would have a better idea.

REP. MARJORIE FISHER, HD 80, Whitefish, asked how many auditors were currently employed by OPI. **Mr. Groepper** said there were three employed who have multiple job duties -- they review school district audits, make adjustments to budgets, review school district reports concerning mills, and audit budgets. He also stated that when school districts do audit reports and present them to the school board, there are necessary changes noted. OPI then takes that report and makes sure those recommended changes are followed up. He said the Legislative Auditor's office would be able to explain it to her in more detail. They definitely don't do audits over again. They take the recommendations and make sure they are completed.

REP. JOHN COBB, HD 50, Augusta, asked if the FTEs transferred to DOA in this bill would again be transferred to the proposed Department of Education. **REP. HANSON** said they should stay at DOA, but he is not sure.

REP. KADAS asked why the supervisor was not being transferred. **Mr. Groepper** stated that the supervisor is also in charge of other people with other duties and is also directly involved with federal sections of OPI. **REP. KADAS** asked why **REP. HANSON** had not included electronic transferring in the bill. He said they are encouraged to transfer reports on computers, but are not required to do so. **REP. KADAS** then wanted to know about similar situations with DOA and other state agencies. **Ms. Griffith** said all agencies handle their own accounting internally, all transactions are put in the accounting system that DOA maintains, but they don't do transactions for any other departments.

Closing by Sponsor:

REP. HANSON said that he didn't think the auditors traveled to the school districts to examine if changes were being done, so they could be situated anywhere, OPI or DOA. The intent of the bill is simplicity -- he doesn't think it should be complicated.

EXECUTIVE ACTION ON HB 65

Discussion: CHAIRMAN ZOOK said that HB 65 was referred to House Appropriations Committee by mistake and needs to be dealt with on the floor. He asked for a Do Pass motion.

Motion/Vote: REP. FISHER MOVED HB 65 DO PASS. Motion carried unanimously.

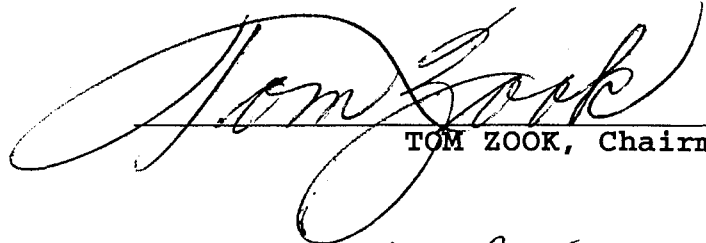
HOUSE APPROPRIATIONS COMMITTEE

February 13, 1995

Page 11 of 11

ADJOURNMENT

Adjournment: 6:15 p.m.


TOM ZOOK, Chairman


MARJORIE PETERSON, Secretary

TZ/mp

HOUSE OF REPRESENTATIVES

Appropriations

ROLL CALL

DATE 2-13-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Tom Zook, Chairman	✓		
Rep. Ed Grady, Vice Chairman, Majority	✓		
Rep. Joe Quilici, Vice Chairman, Minority	✓		
Rep. Beverly Barnhart	✓		
Rep. Ernest Bergsagel	✓		
Rep. John Cobb	✓		
Rep. Roger DeBruycker	✓		
Rep. Gary Feland	✓		
Rep. Marj Fisher	✓		
Rep. Don Holland	✓		
Rep. John Johnson	✓		
Rep. Royal Johnson	✓		
Rep. Mike Kadas	✓		
Rep. Betty Lou Kasten	✓		
Rep. Matt McCann	✓		
Rep. Red Menahan	✓		
Rep. Steve Vick	✓		
Rep. Bill Wiseman	✓		



HOUSE STANDING COMMITTEE REPORT

February 14, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that **House Bill 65** (first reading copy -- white) do pass.

Signed: _____

Tom Zook
Tom Zook, Chair

Committee Vote:
Yes 18, No 0.

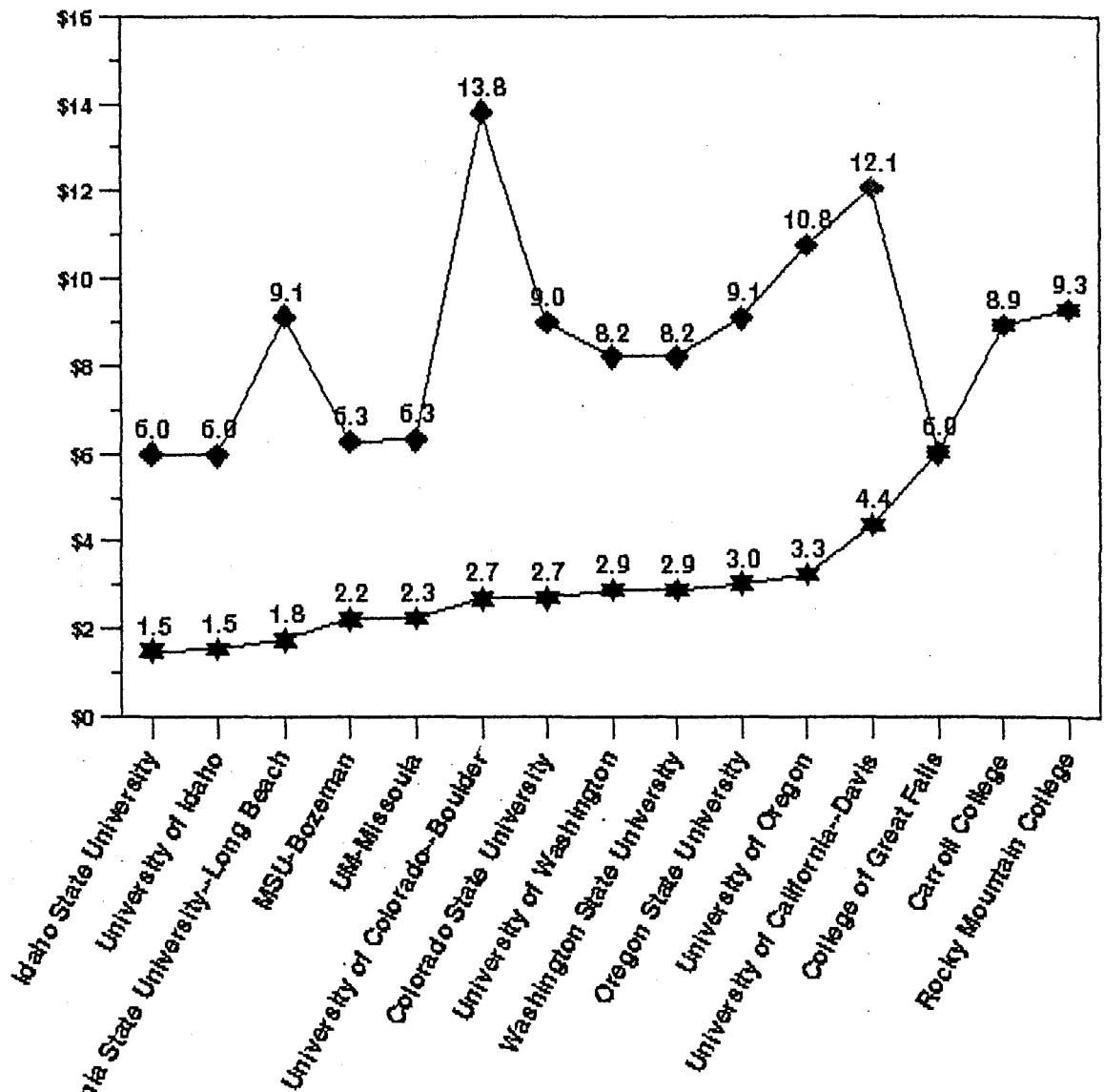
380939SC.Hbk

Tuition & Fees--1994/95

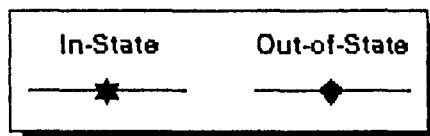
Selected Public & Private Four-Year Schools

CA, CO, ID, MT, OR, WA

Tuition & Fees (in Thousands)



Ten-year gain in appropriations of state tax funds for operating expenses of higher education.
 1984-85 through 1994-95: CA 16%; CO 42%; ID 102%; MT 5%; OR 54%; WA 60%.



DATE 2-13-95

HB 416

CORVALLIS SCHOOL DISTRICT #1

1045 Main Street - P.O. Box 700
Corvallis, Montana 59828
FAX 961-5144

K. W. MAKI
Superintendent 961-4211

LINDA VON LAVEN
Special Services 961-3962

DONNA L. MELLO
District Clerk 961-4211



SARAH S. SCHUMACHER
9-12 Principal, 961-3201

MARION DALEY
K-4 Principal, 961-3261

ALLYSON HOILAND
5-8 Principal, 961-3007

February 13, 1995

TO: Jeanette McKee

FROM: K. W. Maki

SUBJECT: SUPPORT FOR HB 416

Corvallis School District #1 urges you to support HB 416. The concept of the bill seems to address the capital outlay needs of all Ravalli County School Districts. I do believe, however, additional money must be appropriated in order to meet the needs of underfunded schools throughout the state.

HB 416 provides a solid base upon which to build for the future. Hopefully, the bill will be instrumental in closing the equity gap once and for all.

Thank you.

K. W. Maki

km/lis

EXHIBIT 3
DATE 2-13-95
HB 416

TO: Representative Tom Zook and Members of the House Appropriations
Committee
FROM: Tonia Bloom, Trustee, Corvallis School District
RE: House Bill 416
DATE: February 12, 1995

I would like to voice my strong support for HB 416, introduced by Representative Jeanette McKee and requested by the Office of Public Instruction and the Governor. The two main provisions of this bill -- to make debt service payments available to eligible school districts in the first year of a bond and to increase the appropriation for reimbursements by \$500,000 in each year of the biennium -- are both essential to make this program effective.

The availability of state support in the first year of a bond would correct a serious deficiency in the state program to aid in the debt service funds of low taxable valuation districts. Under the program as currently structured, school districts with mill values per ANB below the state average cannot receive support until the second year of a bond issue. Voters in such districts are faced with the prospect of very high mill levies when they go to vote to approve or disapprove a bond for needed school capital improvements.

The Corvallis School District, of which I am a trustee, is typical of many Montana school districts which are experiencing rapid residential growth and burgeoning school enrollments. The Corvallis School District is supported primarily by residential and agricultural taxes. Taxable values and taxes for individual taxpayers have increased substantially in recent years in Corvallis, but with few commercial or industrial taxpayers, the tax base cannot keep up with the cost of providing school services to the growing population. Taxpayers, who have already experienced an increase in their taxes because of property reappraisals and higher mill levies, are understandably reluctant to approve school facility bonds. Yet the schools are overcrowded and there is no end in sight to the increase in enrollments.

The Corvallis School District's enrollment has increased 35% in the past 5 years and is projected to continue to increase at that rate. Under the school equalization legislation passed by the Montana Legislature, low-spending districts with inadequate tax bases are gradually moving towards the mandatory minimum base budget level. The resulting improvements in educational services to the students in districts such as Corvallis are now being jeopardized by the overcrowding of school facilities.

In instituting support for new debt service for districts with mill values per ANB less than the state average, the Legislature recognized (as has the Montana Supreme Court) that the provision of adequate facilities is a necessary component of education. I urge you now to strengthen the school facilities reimbursement legislation by making funds available to school districts in the first year of a bond and by increasing the appropriation for school facilities support by \$500,000 in each year of the next biennium. I urge you to support HB 416.

LAWRENCE 4
DATE 2-13-95
HB 422

SUMMARY OF HOUSE BILL NO. 422
Submitted by Representative Hanson
February 7, 1995

Main provisions of House Bill No. 422:

- generally revising the collection and transmission of state and county revenue for public school districts;
- transferring the supervision of school financial and budgeting administration from the superintendent of public instruction to the department of administration;
- eliminating the state equalization aid account and certain dedicated revenue for school funding;
- combining the 33-mill county equalization levy for elementary school districts and the 22-mill equalization levy for high schools into a 55-mill county equalization levy for schools;
- transferring certain functions of the state auditor concerning federal land payments to the state treasurer; and
- providing an effective date of July 1, 1996.

Section 1: Amends Section 2-7-503, MCA, to replace OPI with DoA as the agency that can request a school district to have a financial review done of its financial statements at least once every 4 years.

Section 2: Amends Section 2-7-514, MCA, to replace OPI with DoA as agency that supplies Dept. of Commerce with list of school districts subject to audit under 2-7-503(3) and pays the required filing fees for the school districts.

Sections 3 through 9: Amends Section in Title 15 to reflect the combining of two county equalization levies into a 55-mill levy.

Section 10: Amends Section 15-35-108, MCA, to have all severance taxes going to the state special revenue fund for state equalization aid to public schools go to the general fund. Three versions necessary because of effective dates.

Section 11: Amends Section 17-3-211, MCA, to have the state treasurer, rather than the state auditor, receive and distribute forest reserve money to the appropriate counties.

Section 12: Amends Section 17-3-212, MCA, to have the state treasurer, rather than the state auditor, apportion the forest reserve funds and earned interest to the eligible counties.

Section 13: Amends Section 17-3-214, MCA, to have the state treasurer, rather than the state auditor, correct errors made in the apportionment of forest reserve money.

Section 26: Amends 20-9-102, MCA, to establish that DoA has general supervision over the school budgeting provisions.

Section 27: Amends 20-9-103, MCA, allows DoA to prescribe the school budget forms.

Section 28: Amends 20-9-121, MCA, to prescribe form of school district cash balances and bond information.

Section 29: Amends 20-9-134, MCA to require county superintendent of schools to send final district budgets to DoA.

Section 30: Amends Section 20-9-163, MCA, to have the DoA rather than OPI process a school district's petition for budget amendment.

Section 31: Amends Section 20-9-165, MCA, to have DoA rather than OPI sign the budget amendment.

Section 32: Amends Section 20-9-166, MCA, to have DoA rather than OPI approve, calculate and disburse any increased payment from state equalization for the BASE funding program or transportation reimbursement as a result of a school district's budget amendment request.

Section 33: Amends Section 20-9-201, MCA, to have DoA rather than OPI define what funds school districts should use, provide general supervisory authority over the school financial administration provisions, and adopt rules necessary to carry out these provisions.

Section 34: Amends Section 20-9-202, MCA, to have DoA rather than OPI disburse all money for a joint district to the designated county treasurer.

Section 35: Amends Section 20-9-203, MCA, to require school districts to provide a copy of their audit report with DoA.

Section 36: Amends Section 20-9-211, MCA, to require county superintendents to provide annual financial reports to the DoA rather than OPI.

Section 37: Amends Section 20-9-212, MCA, to require county treasurers to receive and hold all school money and be accountable for such to DoA rather than OPI and to eliminate the remittance of basic county tax and other revenues received for county equalization.

Section 38: Amends Section 20-9-213, MCA, to have school trustees keep accounting records as prescribed by DoA rather than OPI.

Sections 39 through 41: Amends 20-9-306, 20-9-307, and 20-9-308, MCA, to

Section 54: Amends Section 20-9-369, MCA, to have DoA rather than OPI administer the distribution of guaranteed tax base aid.

Section 55: Amends Section 20-9-501, MCA, to have DoA rather than OPI certify the amount of guaranteed tax base aid the county will receive for each mill levied for the county retirement fund.

Section 56: Amends Section 20-9-506, MCA, to have trustees of a district that does not operate a school provide information regarding nonoperating budget to DoA rather than OPI.

Section 57: Amends Section 20-9-805, MCA, to have DoA rather ^{than} OPI reduce equalization when a school district falls short of the mandatory 180 day school year.

Section 58: Amends Section 20-10-112, MCA, to eliminate the disbursement of state transportation reimbursement from the state superintendent's duties.

Section 59: Amends Section 20-10-143, MCA, to have school district trustees report transportation fund budgeted expenditures appropriated on a budget form prescribed by DoA rather than OPI.

Section 60: Amends Section 20-10-145, MCA, to have DoA rather than OPI administer and disburse the state transportation reimbursement to each school district.

Sections 61 and 62: Amends Sections 23-7-202 and 23-7-402, MCA, to have lottery revenue paid to the general fund rather than to the state superintendent as state equalization aid.

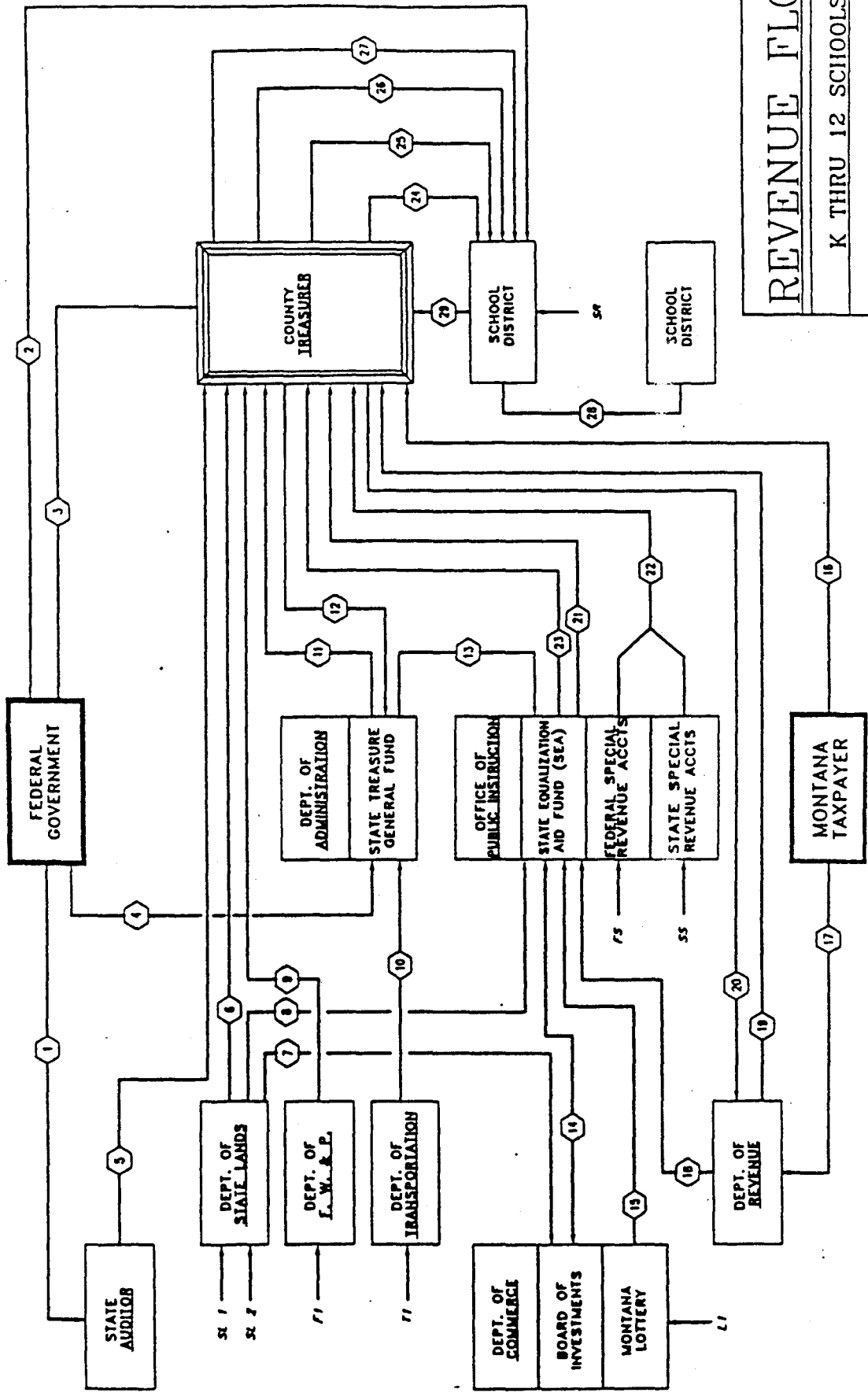
Section 63: Amends Section 77-1-507, MCA, to have state land equalization payments be considered as other district revenue under the provisions of 20-9-141.

Sections 64 and 65: Amends Sections 90-6-201 and 90-6-212, MCA, to have interest and earnings from investing unexpended money in the local impact account go to the state general fund for state equalization aid rather than the state special revenue fund.

Sections 66 and 67: Amends 90-6-309 and 90-6-403, MCA, to reflect the change to a 55-mill county equalization levy.

Section 68: New section outlines duties transferred to DoA from OPI including: generally supervise school budgeting procedures and prescribe school budget format; establish system of communication for calculating joint district revenues; approve or disapprove adoption of a district's budget amendment resolution and adopt rules for an application for additional direct state aid; generally supervise school financial administration provisions; prescribe and furnish annual report forms to school districts and county superintendents; approve, disapprove or adjust an increase of the average

EXHIBIT 5
 DATE 2-13-95
 HB 422



REVENUE FLOW

K THRU 12 SCHOOLS
 IIS HANSON DATE: 7-6-94

- 3 From Federal Government to County Treasurer
 - * Educational Grants to School Districts
 - * Bankhead Jones
 - * Payment in Lieu of Taxes (PILT)
- 4 From Federal Government to State Treasurer/General Fund
 - * Taylor Grazing
 - * U S Gas & Oil
 - * Flood Control
- 5 From State Auditor to County Treasurer
 - * Federal Forest Reserve (1/3 fro School Funding)
- 6 From Dept. of State Lands to County Treasurer
 - * State Land Equalization
- 7 From Dept. of State Lands to Board of Investments (Common School Trust)
 - * 5% Timber Sales
 - * 4.8% Distributable Receipts
- 8 From Department of State Lands to State Equalization Aid Fund (SEA)
 - * 95% Timber Sales
 - * 92.7% Distributable Receipts
- 9 From Dept of F.W.&P. to County Treasurer
 - * Payment in Lieu of Taxes (PILT)
- 10 From Dept. of Transportation to General Fund
 - * Aeronautics Fee
- 11 From State Treasurer/General Fund to County Treasurer
 - * 90% of Aeronautics Fee
 - * Taylor Grazing
- 12 From County Treasurer to State Treasurer
 - * Elementary Equalization Levy - 33 mills
 - * High School Equalization Levy - 22 mills
 - * Statewide Levy - 40 mills
 - * Statewide Levy - Non Levy
 - * Statewide Levy - Prior Year
 - * State Deficiency Levy - Delinquent & Protested Taxes
 - * County Levy Surplus
 - * Portion of LGST Received from Dept of Revenue to SEA
 - * Coal Gross Proceeds Based on 45 mills
 - * 50% of Taylor Grazing

- 21 From SEA Account to County Treasurer
 - * Business/Personal Property Tax Reimbursements (HB-20)
- 22 From OPI to County Treasurer
 - * Special Federal and State Revenue Accounts
- 23 From SEA Account to County Treasurer
 - * Direct State Aid (40% Entitlement)
 - * Guaranteed Tax Base (GTB)
 - * Retirement (GTB)
 - * GTB Money for Capital Expenditures
- 24 From County Treasurer to Each Schl Distr in Co.
 - * Direct State Aid (40% Entitlement)
 - * Guaranteed Tax Base (GTB)
 - * Retirement (GTB)
 - * Special Education Funds
 - * Transportation (State)
 - * Educational Grants
- 25 From County Treasurer to Each School District in County
 - * Aeronautic Fee (DOT)
 - * Business/Personal Property Tax Reimbursements (DOR)
 - * Corp Licenses Tax - Financial Institutions (DOR)
 - * Local Government Severance Tax-LGST (DOR)
 - * Light Vehicle Tax - 2%
 - * Title/Property Sales Tax
 - * All District Taxes
- 26 From County Treasurer to Each Schl Distr in Co.
 - * Investment Earnings (Co.)
 - * Penalty & Interest - Late Taxes (Co.)
 - * Repurchase Interest
 - * Bankhead Jones (FED)
 - * Taylor Grazing
 - * Federal Forest Reserve (Auditor) 1/3 of Total
 - * Fish/Wildlife Pilt
 - * Cash Reapportionment
- 27 From County Treasurer to Each Schl Distr in Co. (Schl Dist Budgeted Funds)
 - * General Funds
 - * Adult Education
 - * Debt Service
 - * Building Reserve
 - * Bus Depreciation Account
 - * Transportation Fund

TESTIMONY OF THE OFFICE OF PUBLIC INSTRUCTION
OPPOSING HB 422

- HB 422 Duplicates Audit Responsibilities
- HB 422 Duplicates Program Responsibilities
- HB 422 is Unconstitutional

HB 422 DUPLICATES AUDIT RESPONSIBILITIES

Under federal regulation federal school funding is distributed to local school districts through the State Education Agency (SEA). Currently, Montana has certified to the Federal DOE that OPI is Montana's SEA. OPI receives and distributes federal funds to districts. The Department of Administration cannot automatically become Montana's SEA by operation of HB 422 and there will be duplication of state effort.

One example is audit. Under the Federal Single Audit Act, OPI must review school district audits for compliance with federal law and must ensure an acceptable resolution to the audit findings. Likewise, Montana requires audit for the proper management of state general fund for schools and, if HB 422 makes DOA responsible for school district general fund budgeting and expenditures, DOA will in turn also have to review school district audits for audit exceptions that affect the distribution of state general funds to schools. In essence, HB 422 doubles the bureaucracy associated with financial review.

HB 422 DUPLICATES PROGRAM EFFORT

HB 422 moves general fund financial responsibilities without recognizing that financial answers are impossible to give without some non-financial information.

For example, the school accreditation reporting system collects enrollment information for Chapter I and Chapter II programs along with average daily attendance information for the Impact Aid program. That same report also provides ANB information for school budgeting. ANB drives the general fund budgeting for schools. It's not clear how DOA will get ANB information to calculate school budget caps, guaranteed tax base eligibility and special education entitlement. It's also not clear how DOA will process payment changes caused by increased enrollments as that information is now reported to OPI for accreditation purposes.

Another example is special education. How would the special education component be managed between OPI and DOA? OPI would continue to have responsibility for the program side of the federal special education legislation but DOA would manage the distribution of state money, presumably under the advice of the special education program specialists in OPI. Districts would have to work with two state agencies.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Appropriations

COMMITTEE

BILL NO. HB 390DATE 2-13-95 SPONSOR(S) _____HB 416HB 420
HB 422

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Ron Zai	Manhattan Schools	HB 416		✓
Harry Do Erth	Belgrade Schools	HB 416		✓
Steve Snezek	ASMSU - Bozeman	HB 390		✓
Chf/Roesner	Helena School Dist #1	HB 416		✓
TOM BILODEAU	MEA	HB 416		✓
TOM BILODEAU	MEA	HB 422	✓	
JAY Driscoll	MFT	HB 416 HB 422	HB 422	✓
JAY Driscoll	MFT	HB 422	—	
Larry Fesbender	LAIPS	HB 422 HB 416	✓	✓
Madalyn Quinlan	OPI	HB 416		✓
Gene Huntington	Rainier Desworth	HB 416		✓
Connie Griffith	Dept. of Admin	AB 422	N/A	
Greg Harper	OPI	HB 422	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

COMMITTEE

BILL NO.

DATE

SPONSOR(S)

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Don Waldron	MREA	HB 416		✓
Don Waldron	MREA	HB 422	✓	
Pat Haffey	Governor's Office	HB 416		✓
Norm Gray	SAM	HB 416		✓
Harry D. Erickson	Belgrade	HB 422	✓	
Lynda Brannon	MASBO	HB 422	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.