



# School Funding Interim Commission

## 64th Montana Legislature

PO BOX 201706  
HELENA, MONTANA 59620-1706  
(406) 444-3064

### HOUSE MEMBERS

JEFF ESSMANN  
DONALD JONES  
KATHY KELKER  
DEBRA LAMM  
EDIE McCLAFFERTY  
SUSAN WEBBER

### SENATE MEMBERS

TOM FACEY -Chair  
ELSIE ARNTZEN - Vice Chair  
KRISTIN HANSEN  
MARY SHEEHY MOE  
MATTHEW ROSENDALE  
LEA WHITFORD

### PUBLIC MEMBERS

PATRICIA HUBBARD  
DAVE LEWIS  
AIDAN MYHRE  
RENEE RASMUSSEN

### COMMITTEE STAFF

PAD McCRACKEN, RESEARCH ANALYST  
LAURA SANKEY, ATTORNEY  
KATYA GROVER, SECRETARY

## MINUTES

May 3, 2016  
Room 102, Capitol Building  
Helena, Montana

**Please note:** This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the "Exhibits" is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Services Division at 406-444-3064 for more information.

### **COMMITTEE MEMBERS PRESENT**

SEN. TOM FACEY - CHAIR  
SEN. ELSIE ARNTZEN - VICE CHAIR  
SEN. KRISTIN HANSEN  
SEN. MARY SHEEHY MOE  
SEN. MATTHEW ROSENDALE  
REP. JEFF ESSMANN  
REP. DONALD JONES  
REP. KATHY KELKER  
REP. DEBRA LAMM  
REP. EDIE McCLAFFERTY  
REP. SUSAN WEBBER  
PATRICIA HUBBARD  
DAVE LEWIS  
AIDAN MYHRE  
RENEE RASMUSSEN

### **COMMITTEE MEMBERS EXCUSED**

SEN. LEA WHITFORD

## **STAFF PRESENT**

PAD McCracken, Research Analyst  
LAURA SANKEY, Attorney  
KATYA GROVER, Committee Secretary

**This minutes log is based on the audio recording.  
The video recording starts after the lunch recess at 05:32:04, at which point it can be  
accessed via both, audio and video recording.**

## **VISITORS' LIST (Attachment 1)**

## **AGENDA (Attachment 2)**

### **CALL TO ORDER and ROLL CALL**

00:00:01 Sen. Facey called the commission to order at 8:06 a.m. The commission secretary called roll. **(Attachment 3)**  
00:01:14 Sen. Facey welcomed the commission members and briefly went over today's agenda.

## **ADMINISTRATIVE MATTERS**

### **Budget Update and Agenda review - Pad McCracken, Staff Research Analyst**

00:02:01 Pad McCracken, Research Analyst  
00:07:27 Sen. Facey

## **WORK SESSION ON DISTRICT STRUCTURE AND EQUITY ISSUES**

### **Basics of Impact Aid**

00:07:52 Mr. McCracken refreshed commissioners' memory about the Impact Aid. **(Exhibit 1)**  
00:15:10 Nicole Thuotte, School Finance Specialist, OPI **(Exhibit 2)**

### **Commission Questions**

00:16:42 Sen. Arntzen asked how the money is paid: whether the amount that is not paid right away is paid in the following year or is not paid at all.  
00:17:37 Sen. Rosendale asked whether, with school districts receiving money from the Impact Aid Fund, it would be a good idea for school districts to set up a separate account and put the funds aside and then expand those funds in the coming year so that they could expand what they knew they would have actually received.  
00:18:27 Commissioner Hubbard asked whether school districts would receive a dollar for dollar match with the Impact Aid on the taxable land.  
00:19:47 Rep. Kelker asked whether the school districts are not allowed to supplant the state amount that's given, and whether they only get that presumed local amount.  
00:20:43 Commissioner Lewis asked why there is a 3 million dollar difference in total expenditures with equal size districts.

- 00:20:50 Ms. Thuotte resumed her presentation.
- 00:22:10 Mr. McCracken brought commissioners' attention to the document entitled "The Basics of Impact Aid: the Original K-12 Federal Education Program Title VII Every Student Succeeds Act". **(Exhibit 3)**

Commission Questions

- 00:23:08 Sen. Facey asked to confirm whether there is a lot of state housing and federal housing projects taking place.
- 00:28:11 Sen. Facey asked how data about students' families is collected nowadays vs. 1960's.
- 00:29:06 Rep. Kelker asked whether that data collection is the only time school learns about where pupils reside.
- 00:30:15 Ms. Thuotte continued her presentation.

Commission Questions

- 00:30:49 Commissioner Rasmussen asked what time of the year districts find out what the pro-rated LOT number is.
- 00:32:17 Rep. Essmann asked about the reduction of payments due to sequestration of the federal budget.
- 00:33:01 Sen. Moe asked whether various sources that Ms. Thuotte identified and that are federal property are permanent.
- 00:34:34 Sen. Facey asked about data from the pie chart in Exhibit 2.
- 00:35:03 Rep. Kelker asked about restrictions of what schools can spend the money on with the Impact Aid.
- 00:36:33 Sen. Moe asked whether it "use it or lose it" situation every year.
- 00:36:47 Sen. Hansen asked to elaborate on how this discussion applies to the funding formula.
- 00:37:22 Mr. McCracken addressed Sen. Hansen's question.
- 00:38:53 Sen. Hansen said that when schools are building their budgets, there is no place in the silo for the Impact Aid.
- 00:39:32 Rep. Kelker commented on usefulness of the Impact Aid as it appears that here is money that could be carried over but, at the same time, it is not a source of funding for major repairs of major constructions. Rep. Kelker asked to confirm her understanding.
- 00:40:18 Commissioner Rasmussen said that her priority with the money coming from the Impact Aid would be teachers' salaries and if there is anything left after covering salaries, the money could be used for other purposes. Commissioner Rasmussen asked whether this plan, coming from her as a superintendent, would be a type that other superintendents could use.
- 00:42:03 Sen. Facey asked Mr. McCracken what the total budget for non-budgeted and budgeted funds for the state is.
- 00:42:41 Mr. McCracken addressed Sen. Facey's question.
- 00:44:47 Commissioners had a brief and off-microphone discussion addressing Sen. Facey's question.
- 00:45:08 Sen. Rosendale asked Ms. Thuotte how payments in lieu of taxes (PILT) compare with the Impact Aid.

### **Public Comment on Impact Aid**

00:46:21 Bob Story, Montana Taxpayers' Association, talked about what the state can do with the federally funded Impact Aid money. Mr. Story also noted that there is a lot of misunderstanding about the Impact Aid.

### **Commission Questions**

00:49:19 Sen. Hansen in following up on what Mr. Story said asked about the correlation between districts receiving Impact Aid and the high end of per student amount.

00:50:49 Mr. McCracken addressed Sen. Hansen's question.

00:51:07 Sen. Hansen asked why the federal dollars cannot be used in the school funding formula as the Impact Aid is designed to be a direct substitute for lack of local funding.

00:52:26 Ms. Thuotte addressed Sen. Hansen's question. In her answer, Ms. Thuotte referred to page 27 of Exhibit 3.

00:53:04 Rep. Kelker added to Sen. Hansen's comment about counting Impact Aid money as part of the funding formula. Rep. Kelker also asked Ms. Thuotte to comment regarding calling the Impact Aid money a substitute for local taxes and regarding whether it is substituting for the kinds of things shown on the pie chart of Exhibit 2.

00:55:08 Mr. McCracken also addressed Rep. Kelker's question.

00:55:34 Rep. Kelker said that the impact districts are in the same situation as other districts.

00:56:15 Rep. Essmann referred to page 27 of Exhibit 3 that talks about equalization and asked Mr. McCracken to elaborate on the following point: it seems that the question of equalization is a question about math and so would this math be applicable to Montana school districts and would Montana school districts be considered to be close to be equalized by the measure described in this document.

00:56:50 Mr. McCracken addressed Rep. Essmann's question.

00:58:02 Rep. Essmann asked Mr. McCracken to contact OPI and inquire whether they ran those numbers regarding his previous question and if they haven't, ask them to do so.

00:58:28 Commissioner Rasmussen said that the facility work is also included in per pupil expenditures.

00:59:13 Mr. McCracken provided a clarification that federal and commission's definition for *per pupil expenditures* are different.

00:59:50 Sen. Facey asked for a list of 75 districts that were getting some Impact Aid.

**BREAK** (reconvened at 9:49 a.m.)

### **Explanation and Analysis of Districts Adopting Over-Max General Fund Budgets**

01:16:37 Sen. Facey introduced this agenda item.

01:17:38 Rob Miller, LFD ([Exhibit 4](#))

### **Commission Questions**

01:21:26 Sen. Moe asked Mr. Miller about factors that have an effect on both types of budget, maximum and adopted budget, as both lines representing each type of budget in Exhibit 4 come closer to each other over time.

- 01:22:02 Sen. Facey asked to characterize those schools that are considered outliers and go over 100% of BASE.
- 01:22:41 Janelle Mickelson, School Finance Division Administrator, OPI, addressed Sen. Facey's question. In answering the question, Ms. Mickelson referred to two documents: one entitled "District % of Max and Per-Pupil Expenditures" ([Exhibit 5](#)) and another document entitled "General Fund Budget Equity Status" ([Exhibit 6](#)).
- 01:27:22 In addressing Ms. Mickelson's answer to his question, Sen. Facey explained the reason to allow school districts to stay with their old budget.
- 01:27:58 Rep. Essmann noted that 15% of school districts have ceased to exist since 1996 and requested an analysis regarding the profile of those schools at the time they closed or merged.
- 01:28:55 Ms. Mickelson said that they OPI has that analysis.
- 01:29:26 Mr. Miller continued is presentation. ([Exhibit 7](#))

Commission Discussion on Over Max Budget Data Reflected in Exhibit 6

- 01:31:38 Rep. Kelker
- 01:32:36 Sen. Facey
- 01:33:27 Sen. Hansen.
- 01:33:51 Sen. Facey
- 01:34:28 Sen. Hansen
- 01:34:49 Commissioner Rasmussen
- 01:36:37 Sen. Facey
- 01:36:59 Rep. Essmann said that the numbers in column of Exhibit 5 entitled "Change in ANB FY12-FY16" indicate a demographic collapse and requested these numbers to be converted into percentage. Paul Taylor, OPI, added another column showing that (the column is entitled "% Change in ANB FY12 yo FY16").
- 01:38:11 Sen. Hansen asked whether this document was put together for the commission and asked Mr. McCracken to post this document on the commission's website.

Public Comment - None

**BASE Mill Equalization Modeling**

- 01:40:55 Mr. McCracken referred to and started discussing the first out of three models with the memo accompanying the description of the models: memo ([Exhibit 8.A](#)); model 1 - Equalizing BASE Mills Statewide ([Exhibit 8.B](#)); model 2 - Eliminating Block Grants ([Exhibit 8.C](#)); model 3 - Including Nonlevy Revenue in the GTB Calculations ([Exhibit 8.D](#)). Mr. McCracken also used a document entitled "Options for Equalizing BASE Mills" that was originally distributed during April 4-5, 2016, School Funding meeting. ([Exhibit 9](#))
- 01:49:34 Paul Taylor, School Finance, OPI, added to Mr. McCracken's report.

Commission Discussion on Model 1 - Equalizing BASE Mills Statewide

- 01:50:40 Sen. Hansen
- 01:52:06 Mr. Taylor

01:53:16 Mr. McCracken  
01:54:02 Sen. Facey  
01:54:53 Sen. Hansen  
01:55:00 Rep. Kelker  
01:56:48 Rep. Essmann  
01:57:42 Mr. McCracken  
01:57:54 Sen. Rosendale

BASE Mill Equalization Modeling: Model 1 - Equalizing BASE Mills Statewide - CONTINUED

01:58:15 Mr. Taylor  
01:59:22 Mr. McCracken  
01:59:44 Mr. Taylor

Commission Questions

02:00:02 Sen. Moe asked whether Mr. Taylor and Mr. McCracken calculated what percentage of school districts are winners as it appears that about two thirds of districts are winners.  
02:01:59 Mr. McCracken addressed Sen. Moe's question.  
02:02:12 Sen. Hansen said that the value of a local mill is different in every locality and asked whether the value of a statewide mill is the same.  
02:03:35 Commissioner Lewis addressed Sen. Hansen's question.

BASE Mill Equalization Modeling: Model 1 - Equalizing BASE Mills Statewide - CONTINUED

02:04:33 Mr. McCracken  
02:06:17 Sen. Facey added to Mr. McCracken's presentation.  
02:07:17 Mr. Taylor followed up on Commissioner Lewis' comment.

BASE Mill Equalization Modeling: Model 2 - Eliminating Block Grants

02:08:16 Mr. McCracken  
02:10:57 Mr. Taylor

Commission Questions

02:11:12 Sen. Hansen asked about data about model 2. Sen. Hansen also asked about the current GTB criteria and whether these criteria would allow new districts to come on.  
02:13:31 Ms. Mickelson addressed Sen. Hansen's question.  
02:14:43 Commissioner Rasmussen asked to confirm whether there is a way for the state to catch up if the GTB is changed.  
02:15:23 Mr. Taylor also addressed Commissioner Rasmussen's question.  
02:16:46 Sen. Hansen asked about GTB: whether this is one of those situations where GTB is not going to be fully funded.  
02:17:25 Commissioner Rasmussen addressed Sen. Hansen's question.  
02:18:42 Mr. Taylor also addressed Sen. Hansen's question.

BASE Mill Equalization Modeling: Model 2 - Eliminating Block Grants - CONTINUED

02:19:24 Mr. Taylor  
02:21:02 Mr. McCracken

### Commission Questions

- 02:22:34 Rep. Kelker asked what this model helps to accomplishing and whether it brings less variance.
- 02:24:28 Sen. Hansen asked about the data reflected on page 8 and 9 of Exhibit 8.C.
- 02:28:25 Sen. Hansen commented on block grants being archaic and said that rolling it to GTB could be an idea to pursue.

### BASE Mill Equalization Modeling: Model 3 - Including Nonlevy Revenue in the GTB Calculations

- 02:29:02 Mr. McCracken
- 02:32:37 Mr. Taylor
- 02:38:10 Nick VanBrown, LFD, reported on the topic of statewide equalization.  
**(Exhibit 10)**

### Commission Questions of Mr. VanBrown

- 02:41:53 Rep. Essmann referred to Exhibit 10 and asked whether it would be possible to do an adjustment to lower tax rate on Class 3 property to neutralize that to zero and rerun this chart.
- 02:44:00 Rep. Essmann asked whether it would be possible to build a map of the district of the state with the school districts that would show in various colors.
- 02:45:53 Sen. Facey asked for confirmation that the residential type is currently carrying a larger proportion of property tax load.

### Public Comment

- 02:47:32 Bob Story, Montana Taxpayers' Association, talked about state mills vs. local mills.
- 02:56:25 Kirk Miller, School Administrators of Montana, provided his feedback about the three models on the BASE mill equalization.

### Committee Request and Commission Discussion

Rep. Essmann and Sen. Hansen asked the commission staff to produce a hybrid model combining elimination of block grants and increasing GTB model with recalculating GTB factoring in nonlevy revenue model

- 03:00:52 Rep. Essmann
- 03:01:38 Mr. McCracken
- 03:03:02 Mr. Taylor
- 03:03:22 Rep. Essmann
- 03:04:02 Sen. Hansen

**BREAK** (reconvened at 11:54 a.m.)

### Isolated School/District Definition - Sen. Hansen and Working Group Members

- 03:20:27 Sen. Facey
- 03:21:27 Sen. Hansen **(Exhibit 11)**
- 03:27:17 Mr. McCracken brought commission's attention to two documents regarding this topic, which are posted on the commission's website for May 3 and 5, 2016, meeting and are entitled "Map with Drive-Time Based Proposal" and "QE Loan Program Revised Eligibility Based on Drive Time".

03:30:50 Mr. McCracken continued the presentation.

#### Commission Questions

03:33:08 Sen. Rosendale asked to confirm that those areas on the map that are shaded in yellow would not be eligible for being labeled "isolated."

03:36:02 Rep. Essmann asked how the working group came up with 30 minutes as being definitive of isolated and asked whether is it too much to expect in terms of the loan repayment program.

#### Public Comment on Possible Changes of Loan Repayment Program - none

#### Commission Discussion of the Outcomes of the Working Group

03:39:43 Sen. Facey

03:42:13 Madalyn Quinlan, OPI

03:44:43 Sen. Moe

03:46:20 Commissioner Rasmussen

03:48:41 Ms. Quinlan

03:49:42 Rep. Essmann

03:50:43 Sen. Hansen

#### Impacts of Possible Tuition Law Changes - Laura Sankey, Commission Staff Attorney

03:52:06 Ms. Sankey ([Exhibit 12](#))

#### Commission Discussion

Commission members discussed the concerns raised in Rep. Kelker's comment and questions.

04:04:23 Rep. Kelker noted that the residence district doesn't have a choice of where the students will go and who will pay for those students. Rep. Kelker expressed her concern that pupils move from one district to another because very often a parent thinks that the resident district doesn't have what the child needs, and, thus, location of where a child attends a school is parent-driven, or the receiving district might want to lure the student in to increase the population. Rep. Kelker raised a question of who the commission is doing potential statutory changes for.

04:07:17 Rep. Essmann

04:09:28 Sen. Arntzen

04:10:14 Commissioner Rasmussen

04:13:22 Sen. Hansen

04:18:32 Commissioner Rasmussen

04:19:59 Commissioner Hubbard

#### Public Input

04:21:52 Nicole Thuotte, OPI, expressed the idea that it is important to have the data from the school districts clearly showing how many students are involved, what the tuition rates are, and what the variations in tuition rates are. Ms. Thuotte noted that it is unknown whether a problem really exists unless necessary data is gathered.

04:22:59 Rep. Essmann said that it is going to be really difficult to get the data.

04:24:27 Sen. Moe said that they key issue is what the commission's role as a state



04:25:00 government agency is as opposed to what is clearly a local matter.  
Rep. Webber commented on the same students going to multiple Indian schools on the reservations as their families migrate between two or three locations depending on the time of the year.

**LUNCH** (reconvened at 2:05 p.m.)

**The video recording can be viewed starting at this point.**

### **WORK SESSION ON SCHOOL FACILITIES**

#### **New Facilities Grant Program Concepts and Discussion - Pad McCracken, Staff Research Analyst**

05:32:04 Sen. Facey introduced this agenda item.

05:33:00 Mr. McCracken ([Exhibit 13](#)) ([Exhibit 14](#))

#### **Commission Questions of Mr. McCracken**

05:43:20 Rep. Kelker talked about legislature having a positive impact in this area, and, thus, gaining a positive image in general and about promoting an objective procedure for allowing to put in grants specifically.

05:44:44 Sen. Hansen asked Mr. McCracken to reiterate what specific programs have been discussed under this agenda topic.

05:47:55 Sen. Facey concluded this agenda item and introduced next agenda item.

#### **Costs, Revenue Sources, and Decision Points For Fully Funding Debt Service GTB**

05:48:09 Rob Miller, LFD ([Exhibit 15](#)) ([Exhibit 16](#)) ([Exhibit 17](#))

#### **Commission Questions**

05:55:29 Sen. Facey asked Ms. Mickelson about details with regards to reimbursements.

05:56:42 Sen. Hansen asked Mr. McCracken about the revenue stream for the school facility and technology account.

05:58:07 Mr. McCracken asked Ms. Mickelson for clarification on reimbursement payments and prorate.

05:58:27 Rep. Essmann asked how much money needs to be rounded up to meet the needs in order to have a stable source for GTB.

05:59:018 Janelle Mickelson, School Finance Division Administrator, OPI, addressed Rep. Essmann's question. In her answer, Ms. Mickelson referred to Exhibit 16.

06:00:18 Sen. Facey asked Ms. Mickelson to confirm whether a school district can take advantage of the program only if it is a property-poor district and if it has voted for a bond.

06:00:59 Rep. Essmann said that this program is set up for a variety of capital projects and asked Mr. Miller whether there is any distinction in the program between the different uses.

06:03:03 Commissioner Hubbard asked what the lowest reimbursement has ever been and asked which districts are eligible for this program.

06:04:04 Mr. Miller also addressed Commissioner Hubbard's question.

- 06:05:11 Sen. Facey asked about impact on homeowners that passing a bond would bring: what the practical application for a homeowner in this type of program would be.
- 06:07:40 Sen. Hansen said that some of the large districts have enormously sized bonds and they eat up higher percentage and asked how it works for smaller school districts.
- 06:09:43 Sen. Facey brought commissioners' attention to the email between him and Mr. McCracken summarizing commission's thoughts regarding funding of capital projects. [\(Exhibit 18\)](#)

### **Public Comment on Facilities Funding**

The following individuals provided public comment on ensuring funding for school facilities.

- 06:13:06 Jennifer Olson, Department of Commerce
- 06:13:43 Nick Salmon, Collaborative Learning Network
- 06:24:15 Bob Story, Montana Taxpayers' Association

### **Commission Questions**

- 06:27:26 Rep. Kelker referred to a demonstration involving buckets provided during one of the first meetings the commission had and said that her assumption was that the general maintenance was up to the local school districts and asked what the state obligation is when a new construction has to be done.
- 06:29:08 Sen. Rosendale noted that now there are almost 4 categories instead of 3: operations, maintenance, capital projects, and new facility.
- 06:30:10 Rep. Essmann asked Mr. Salmon what would happen to a facility as a structure if a student population dropped from, for example, 60 to 30.
- 06:35:25 Commissioner Myhre elaborated on Rep. Kelker's comment and question.
- 06:36:33 Mr. McCracken asked Ms. Mickelson for clarification on Debt Service GTB being paid out of the General Fund.
- 06:37:26 Mr. McCracken asked what the estimate is based on.

### **Bill Draft with INTERCAP Tweaks - Pad McCracken, Staff Research Analyst**

- 06:39:06 Sen. Facey introduced this agenda item
- 06:39:38 Mr. McCracken [\(Exhibit 19\)](#)
- 06:42:18 Sen. Facey elaborated on what Mr. McCracken had said and encouraged the commission members to take a look at the report done 10 years ago and to think what they would like this interim's report to look like.

Public Comment and INTERCAP Loan Possibility - none

### **Options/Considerations for District General Fund Ending Fund Balance Transfers to Building Reserve Fund**

Commissioner Rasmussen  
 Commissioner Hubbard  
 Denise Williams, MASBO

- 06:44:41 Ms. Williams [\(Exhibit 20\)](#)

Commission Questions of Ms. Williams

- 06:53:05 Sen. Rosendale asked to elaborate on a district trying to borrow money. Sen. Rosendale referred to Richland County as an example.
- 06:54:26 Sen. Moe asked when a particular big resident of a school district protests their taxes and their taxes then come in after it's all settled, how that works into the process.
- 06:56:20 Ms. Williams continued her presentation.

Commission Questions of Ms. Williams

- 06:59:47 Sen. Rosendale asked when school districts take funds out of the accounts that are being discussed, whether those school districts would have to return the funds back into those accounts.
- 07:00:14 Ms. Mickelson also addressed Sen. Rosendale's question.
- 07:00:40 Commissioner Hubbard continued the presentation.
- 07:03:31 Commissioner Rasmussen added to the presentation.

**Commission Discussion**

Commission members had a discussion on the applications of the Building Reserve Fund initiated by Sen. Rosendale's question.

- 07:05:20 Sen. Rosendale asked about restrictions that would limit the Building Reserve Fund for specific uses and asked whether this fund can be designed for the capital improvements for the facilities as a more general category.
- 07:06:23 Rep. Kelker
- 07:07:34 Ms. Williams
- 07:07:59 Rep. Essmann
- 07:11:23 Rep. Kelker
- 07:12:47 Sen. Hansen
- 07:15:47 Commissioner Hubbard
- 07:17:16 Sen. Hansen
- 07:18:43 Commissioner Myhre
- 07:20:52 Commissioner Rasmussen
- 07:22:03 Rep. Essmann
- 07:22:53 Rep. Kelker
- 07:24:15 Commissioner Myhre
- 07:25:20 Sen. Hansen
- 07:28:12 Rep. Essmann
- 07:28:35 Sen. Facey
- 07:31:01 Commissioner Rasmussen
- 07:31:41 Commissioner Hubbard
- 07:32:23 Sen. Hansen
- 07:32:58 Mr. Story
- 07:33:35 Ms. Mickelson
- 07:33:58 Mr. McCracken
- 07:34:24 Commissioner Myhre
- 07:34:53 Sen. Hansen
- 07:37:07 Sen. Hansen

07:37:15 Rep. Kelker

Public Input on Transferring GF Money to Building Reserve Fund

The following individuals provided public comment on transferring general fund money to Building Reserve Fund.

07:38:48 Nick Salmon, Collaborative Learning Network

07:42:55 Bob Story, Montana Taxpayers' Association

07:44:41 Sen. Facey concluded public comment.

**BREAK** (reconvened at 4:36 p.m.)

**INSTRUCTIONS TO STAFF**

Commission members gave directions to Mr. McCracken regarding documents that commissioners would like to have available through the commission webpage, as well as regarding the format of the final report.

08:03:04 Sen. Facey

08:03:48 Mr. McCracken

08:09:07 Rep. Essmann

08:10:35 Mr. McCracken

08:11:28 Sen. Facey

08:15:22 Sen. Arntzen

**RECESS**

08:16:47 With no further business before the commission, Sen. Facey announced recess at 5:01 p.m. until 8:30 a.m. Thursday, May 5 for commissioners' work time.

May 5, 2016  
Room 102, Capitol Building  
Helena, Montana

**COMMITTEE MEMBERS PRESENT**

SEN. TOM FACEY - CHAIR  
SEN. ELSIE ARNTZEN - VICE CHAIR  
SEN. KRISTIN HANSEN  
SEN. MARY SHEEHY MOE  
SEN. MATTHEW ROSENDALE  
SEN. LEA WHITFORD  
REP. JEFF ESSMANN  
REP. DONALD JONES  
REP. KATHY KELKER  
REP. DEBRA LAMM  
REP. EDIE McCLAFFERTY  
REP. SUSAN WEBBER  
PATRICIA HUBBARD  
DAVE LEWIS  
AIDAN MYHRE  
RENEE RASMUSSEN

**STAFF PRESENT**

PAD McCracken, Research Analyst  
LAURA SANKEY, Attorney  
KATYA GROVER, Committee Secretary

**The minutes log for May 5 is based on the video recording.**

**VISITORS' LIST** ([Attachment 4](#))

**AGENDA** ([Attachment 5](#))

**CALL TO ORDER and ROLL CALL**

00:00:02 Sen. Facey called the commission to order at 8:06 a.m. The commission secretary called roll. ([Attachment 6](#))  
00:01:08 Sen. Facey welcomed the commission members and briefly went over today's agenda.

**WORK SESSION ON SPECIAL EDUCATION AND GIFTED AND TALENTED**  
**Bill Draft/Fiscal for Applying Inflationary Factor**

00:02:39 Pad McCracken, Staff Research Analyst ([Exhibit 21](#))

**Bill Draft/Fiscal for Applying Inflationary Factor and \$2 Million Appropriation for Cooperatives**

00:08:57 Mr. McCracken ([Exhibit 22](#))

Commission Questions of Mr. McCracken

- 00:10:51 Rep. Kelker referred to Exhibit 22 and asked about recommended percentage changes for special education cooperatives.
- 00:12:16 Sen. Rosendale asked whether it would be reasonable to change the language on page 2 of the bill draft regarding the percentage calculations. (see Exhibit 22)
- 00:13:08 Mr. McCracken resumed his presentation

Commission Questions of Mr. McCracken

- 00:13:58 Commissioner Myhre asked to confirm about two million dollars plus the inflationary increase: whether those districts that do not use cooperatives will experience that increase but on a much smaller scale than those districts that use special ed cooperative.
- 00:14:50 Sen. Moe asked to confirm that the purpose of this discussion is to bring clarity rather than debate the merits.
- 00:15:16 Sen. Moe asked to explain why the inflationary factor will not go into effect until 2021.
- 00:16:04 In addition to Mr. McCracken, Sen. Facey also addressed Sen. Moe's question.
- 00:16:26 Rep. Kelker asked whether there might be some other means to make sure that the inflation rate increase occurred right away, rather than waiting for the next biennium and asked whether doing an OTO allocation could be one of those means.
- 00:17:35 Commissioner Rasmussen commented on Rep. Kelker's suggestion to allow OTO. Commissioner Rasmussen also asked why the inflationary factor is used in this bill draft.
- 00:19:43 Sen. Facey addressed Rasmussen's question.
- 00:22:07 Commissioner Rasmussen said that the commission should strive to have some kind of idea of what the real costs are and be realistic about it and say that the commission is not going to fund the special education and gifted and talented education the way it is proposed now.
- 00:24:05 Sen. Facey addressed Commissioner Rasmussen's comment.
- 00:25:19 Rep. Kelker also addressed Commissioner Rasmussen's comment.
- 00:27:45 Commissioner Rasmussen addressed the points made by Sen. Facey and Rep. Kelker.
- 00:28:43 Commissioner Hubbard asked about the revenue stream for the two million dollars.
- 00:29:42 Sen. Moe reminded the commissioners that the commission is going through the process of discussing this bill draft with respect to the technical issues and that the discussion of the merits of this bill in general should be reserved for a different time.
- 00:30:12 Rep. McClafferty asked about percentages from page 2 of the bill draft (Exhibit 22).
- 00:31:14 Rep. Essmann asked where the injection of the two million dollars is reflected in this bill draft.

### **Bill Draft/Fiscal for Allowing ANB Funding for 19-21 Students With Disabilities**

00:31:55 In reporting to the commission about the bill draft allowing ANB funding for 19-21 students with disabilities, Mr. McCracken also brought commissioners' attention to the document entitled "**HB 451: Extending State Funding for Special Education Students Age 19-21**" distributed during the April 4-5, 2016, meeting. **(Exhibit 23)**

#### **Commission Questions of Mr. McCracken**

00:41:56 Rep. Kelker commented about the terminology used in the past with respect to special education.

00:42:46 Rep. Essmann asked about the interplay of the definition of a "pupil" reflected in Section 2, 20-5-101 and the calculation of ANB reflected in Section 4, 20-9-311: whether OPI reviews the decision of schools' making discretionary admittances and whether these discretionary admittances are a part of the ANB calculation.

00:46:27 Sen. Rosendale provided his understanding of what the statutes say with respect to who can be considered a pupil.

00:46:51 Per Sen. Facey's request, Madalyn Quinlan, Chief of Staff, OPI, provided direction to the commission about the definition of "pupil" and ANB calculations.

00:48:33 Commissioner Myhre asked for clarification: if a district Board of Trustees enrolls a four-year old in the kindergarten, they are eligible for ANB, but the child under six has to be enrolled in kindergarten for them to be included in ANB

00:49:21 Rob Miller, LFD, presented fiscal analysis: changing ANB calculations to including 19-21 year old students with disabilities. **(Exhibit 24)**

#### **Commission Questions**

00:57:23 Rep. Jones asked Mr. Miller about the number of 18-year-olds who are enrolled now and who would be eligible for the program.

00:58:04 Frank Podobnik, OPI, addressed Rep. Jones' question. **(Exhibit 25)**

### **Gifted and Talented (High Ability/High Potential) Funding Options, Costs, Considerations**

01:00:40 Mr. McCracken **(Exhibit 26)**

#### **Commission Questions**

01:02:29 Rep. Kelker asked Mr. McCracken to clarify what is implied by the word "grant": a grant for all school districts or a grant based on a competitive process.

01:03:49 Rep. Kelker expressed her concern about the notion of equity regarding a situation of a child with high abilities attending a school in a school district that doesn't apply for this program.

#### **Public Input**

01:05:22 Tracy Missett, Professor in Gifted Education, University of Montana, reiterated the importance of state funding for the gifted and talented program, as well as talked about the Every Student Succeeds Act (ESSA) recently passed by the federal government. **(Exhibit 27)**

01:10:44 Bob Story, Montana Taxpayers' Association, talked about how the inflationary

factor came about.  
01:14:34 Frank Podobnik, OPI, spoke about the technical aspect of the Special Education funding, and about two proposals that OPI may bring forward. Mr. Podobnik also addressed concerns and questions raised by Commissioner Rasmussen earlier in the discussion of gifted and talented.

#### Commission Questions

01:17:07 Commissioner Rasmussen asked Mr. Podobnik whether the numbers he mentioned regarding the state and the local share in funding are fairly stable numbers.  
01:17:40 Kirk Miller, School Administrators of Montana, spoke about the technical aspects of HB 451.

#### Commission Questions

01:22:46 Sen. Whitford asked Mr. Miller what he would recommend to fix the issue that he has identified.  
01:24:35 Commissioner Myhre asked Mr. Miller whether, if this bill were enacted, it would be optional or mandatory of the districts and trustees to approve the programming and services. Commissioner Myhre commented that not every district would need to implement this program immediately. Commissioner Myhre also asked to confirm that the federal law is consistent in providing a match of federal dollars for this program should the legislature pass the bill.  
01:26:25 Rep. Kelker said that currently, the special education law requires that schools look at students' future starting at between ages of 14 and 16 and asked Mr. Miller about the transition programming: how the current law would be impacted regarding students who might need to have longer time in school.  
01:28:20 Sen. Facey said that if Ms. Quinlan were present, he would ask her whether in the ESSA, Title 2 funds increased from the federal government.

**BREAK** (reconvened at 10:26 a.m.)

01:51:07 Sen. Facey talked about the remaining agenda item.

#### **Reply to Information Request from May 3: a Hybrid Model Combining Elimination of Block Grants and Increasing GTB Model with Recalculating GTB factoring in Nonlevy Revenues Model**

01:52:41 Mr. McCracken opened this part of the discussion.  
01:53:23 Paul Taylor, OPI, went over the document that he prepared per commission's request from May 3 reflecting changes in district structure. **(Exhibit 28)**  
01:56:11 Mr. McCracken reiterated the information request made by Rep. Essmann on May 3 and started his report.  
02:10:05 Mr. Taylor talked about the implications that this hybrid model would bring and about the GTB.

#### Commission Questions

02:11:38 Commissioner Rasmussen asked whether, in working on the hybrid model, Mr. Taylor and Mr. McCracken took into consideration any scenario that would adjust



- to oil and gas fluctuations. Commissioner Rasmussen also asked to confirm that by changing GTB, the school districts are put into double jeopardy.
- 02:12:22 Mr. McCracken addressed Commissioner Rasmussen's questions.
- 02:14:15 Commissioner Rasmussen repeated her question about how the hybrid model would deal with the question of double jeopardy: the GTB is based on taxable value, but the state has already removed oil and gas from the local districts taxable value.
- 02:14:56 Mr. Taylor addressed Commissioner Rasmussen's question.
- 02:15:55 In continuing report addressing the information request, Mr. Taylor talked about changes in BASE mills from current law to proposed law. [\(Exhibit 29\)](#)
- 02:20:54 Rep. Essmann commented about the natural resources development payment (NRD).
- 02:21:59 Mr. Taylor continued his presentation.

#### Commission Questions

- 02:25:55 Rep. Essmann asked Mr. Taylor to characterize the net outcome for this hybrid model.
- 02:28:16 Rep. Essmann asked about the range of coloration: whether it would be a 10-mill or 15-mill shift.
- 02:29:22 Mr. Taylor resumed his presentation by going back to Exhibit 32.

#### Commission Questions

- 02:31:17 Commissioner Rasmussen asked what years were considered for building data for the spreadsheet in Exhibit 32.
- 02:33:14 Rep. Essmann asked where the change in the BASE mills occurred.
- 02:36:36 Rep. Essmann asked to confirm his assumption: the school districts can continue their previous policy choice to not budget any revenues towards their BASE, but they might have some revenues that they could budget to their BASE and avoid any property tax increase.
- 02:37:24 Commissioner Lewis said that this kind of model will affect people negatively in those counties that already pay more taxes, while people in those counties that would benefit from this model, would not even notice the change. Commissioner Lewis asked to confirm this.
- 02:39:30 Commissioner Rasmussen noted that the assumptions for this model are based on an old law, concentric circles law, which is no longer in effect and that there is a new law that governs that. Commissioner Rasmussen asked to explain the reasons for proposing to use 50% of the oil and gas money.
- 02:40:46 Rep. Essmann addressed Commissioner Rasmussen's question.
- 02:41:16 Sen. Hansen asked whether this model points out a difficulty of using of volatile commodity in the funding formula. Sen. Hansen also asked when the commodities were taken out of taxable value.
- 02:42:34 Rep. Essmann addressed Sen. Hansen's question.
- 02:44:08 Rep. Kelker asked for clarification of the definition of "concentric circles" and asked whether concentric circles are out of this hybrid model.

- 02:45:52 Commissioner Rasmussen asked whether there is any other entity, like oil and gas, that would affect this model in the same way.
- 02:47:01 Sen. Facey reminded the committee that the discussion is about who is paying the bill and not how big the bill is.

#### Public Comment on Special Education and the Hybrid Model

- 02:47:55 Silvia Mangen, Director, Great Divide Education spoke in support of increasing funds for special education cooperative. **(Exhibit 30)**
- 02:54:09 Tim Miller, Director, Bitterroot Valley Education Cooperative, also talked about importance of increasing funds for special education cooperatives.

#### Commission Questions

- 02:56:32 Rep. Kelker asked Mr. Miller how the money would be distributed to special education cooperatives with this new bill: whether the pie will be exactly the same size with more money shifting to the cooperatives or whether money will be taken away from the larger districts.
- 02:58:10 Rep. Kelker asked to confirm that larger school districts have more students and more capacity and are not losing money with this model.
- 03:00:42 Bob Story, Montana Taxpayers' Association, pointed out to a problem with the model. Mr. Story also asked how many schools are currently GTB eligible and how many will not be if this hybrid model was adopted. Mr. Story asked what the state average GTB mill in the area is and how many will be with the proposal. Mr. Story also asked about NRD money.
- 03:05:54 Verne Beffert, Park County Cooperative, provided comments on the three proposals.

**LUNCH** (reconvened at 12:21 p.m.)

#### **COMMISSION DISCUSSION OF NEXT STEPS**

Commission members advised commission staff about what findings and recommendations they would like to include in the commission's final report as well as what draft legislation the commission would like staff to prepare for the June meeting. In the discussion, specific commission members volunteered to be assigned as contact persons for specific areas based on Exhibit 35.

- 03:46:08 Sen. Facey opened this part of the agenda.
- 03:49:47 Mr. McCracken
- 03:51:31 Sen. Facey

#### **Concept Outline for SFC Final Report**

- 03:52:53 Mr. McCracken **(Exhibit 31)**

#### **Summary of Commission Work by Topic**

##### General Introduction: Background

- 03:55:45 Rep. Kelker
- 03:57:44 Sen. Hansen
- 03:58:50 Commissioner Myhre

03:59:42 Sen. Hansen  
04:01:19 Sen. Moe  
04:02:37 Rep. Kelker  
04:03:08 Sen. Hansen  
04:03:34 Mr. McCracken

#### Recruitment and Retention

04:04:19 Mr. McCracken  
04:04:34 Sen. Hansen  
04:05:41 Rep. Essmann  
04:06:07 Rep. Kelker  
04:06:58 Sen. Facey  
04:07:17 Commissioner Myhre  
04:07:54 Sen. Facey  
04:08:12 Rep. Essmann  
04:08:29 Commissioner Rasmussen  
04:08:59 Mr. McCracken  
04:10:11 Sen. Facey  
04:10:26 Mr. McCracken  
04:10:45 Sen. Hansen  
04:14:09 Sen. Facey  
04:14:29 Sen. Moe  
04:15:47 Sen. Facey  
04:16:57 Rep. Essmann  
04:17:22 Sen. Facey  
04:17:32 Sen. Moe  
04:18:24 Sen. Hansen  
04:20:04 Rep. Kelker  
04:20:32 Sen. Facey  
04:21:02 Commissioner Rasmussen  
04:22:33 Sen. Hansen  
04:24:39 Sen. Facey  
04:26:12 Rep. Essmann  
04:27:00 Commissioner Hubbard  
04:27:33 Sen. Hansen  
04:29:32 Sen. Facey  
04:29:47 Rep. Essmann  
04:31:03 Sen. Moe  
04:31:40 Commissioner Rasmussen  
04:32:15 Sen. Moe

#### District Structure and Equity

04:32:43 Sen. Facey  
04:33:41 Rep. Essmann  
04:34:47 Commissioner Myhre  
04:35:13 Rep. Kelker

#### Facilities

04:35:41 Sen. Facey

04:35:50 Rep. Kelker  
04:37:15 Sen. Facey  
04:37:49 Sen. Hansen  
04:38:11 Sen. Facey  
04:38:22 Rep. Essmann  
04:42:36 Sen. Facey  
04:42:57 Rep. Kelker  
04:43:43 Rep. Essmann  
04:45:21 Sen. Hansen  
04:46:21 Commissioner Rasmussen  
04:47:09 Rep. Essmann  
04:47:37 Sen. Arntzen  
04:48:51 Sen. Hansen

#### Special Education

04:50:27 Rep. Kelker  
04:51:54 Sen. Rosendale  
04:52:47 Rep. Kelker  
04:53:51 Sen. Rosendale  
04:54:17 Rep. Kelker  
04:55:41 Sen. Facey  
04:56:14 Sen. Hansen  
04:57:23 Rep. Kelker  
04:58:06 Sen. Moe  
04:58:26 Sen. Hansen  
04:59:21 Sen. Facey  
04:59:55 Sen. Moe  
05:00:52 Rep. Kelker  
05:01:33 Sen. Facey

#### Gifted and Talented

05:01:46 Sen. Hansen  
05:06:30 Sen. Facey  
05:06:37 Sen. Hansen  
05:06:54 Sen. Facey  
05:07:33 Rep. Lamm  
05:09:09 Rep. Kelker  
05:12:41 Sen. Moe  
05:13:47 Rep. Lamm  
05:14:21 Sen. Arntzen  
05:14:32 Sen. Facey  
05:15:31 Rep. Essmann  
05:16:51 Rep. Kelker  
05:17:50 Sen. Hansen  
05:22:10 Commissioner Rasmussen  
05:24:51 Sen. Whitford  
05:25:54 Rep. Kelker  
05:28:36 Rep. Essmann  
05:29:18 Commissioner Myhre

05:29:53 Sen. Facey  
05:32:33 Sen. Moe  
05:32:39 Sen. Facey  
05:33:56 Rep. Kelker  
05:34:15 Sen. Facey  
05:34:26 Rep. Kelker  
05:34:34 Mr. McCracken  
05:35:51 Rep. Essmann  
05:36:07 Sen. Rosendale  
05:36:40 Sen. Hansen  
05:38:22 Rep. Kelker  
05:39:31 Sen. Moe  
05:39:53 Commissioner Rasmussen  
05:40:45 Rep. McClafferty  
05:41:26 Sen. Arntzen  
05:42:19 Sen. Arntzen  
05:43:22 Sen. Hansen  
05:43:46 Rep. Essmann  
05:44:20 Sen. Facey  
05:44:45 Sen. Hansen  
05:45:13 Sen. Moe  
05:46:07 Rep. Kelker  
05:49:11 Commissioner Hubbard  
05:50:01 Sen. Hansen  
05:54:35 Rep. Kelker  
05:57:34 Rep. Lamm  
05:58:31 Rep. McClafferty  
05:59:15 Commissioner Rasmussen  
05:59:58 Rep. Lamm  
06:00:17 Sen. Facey  
06:01:08 Sen. Hansen  
06:03:07 Sen. Facey  
06:04:51 Sen. Moe  
06:06:59 Rep. Kelker  
06:09:55 Sen. Facey  
06:10:34 Sen. Rosendale  
06:11:50 Commissioner Myhre  
06:13:49 Sen. Moe  
06:14:41 Commissioner Myhre  
06:15:07 Sen. Arntzen  
06:15:22 Rep. Lamm  
06:15:44 Sen. Arntzen  
06:16:58 Mr. McCracken

Conclusion

06:17:33 Sen. Facey  
06:18:42 Commissioner Rasmussen  
06:19:26 Sen. Facey

**Public Comment**

06:20:20 Marco Ferro, Director, Montana Education Association -Montana Federation of Teachers, addressed some of the points discussed by the commission members during the work session.

06:23:50 Bob Story, Montana Taxpayers' Association, also addressed some of the points discussed by the commission members during the work session.

**ADJOURNMENT**

06:26:33 With no further business before the commission, Sen. Facey adjourned the meeting at 3:00 p.m.