



# Education and Local Government Interim Committee

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## 57th Montana Legislature

### SENATE MEMBERS

EDWARD B. "ED" BUTCHER  
ALVIN A. ELLIS JR.  
WM. E. "BILL" GLASER  
LINDA J. NELSON  
DON RYAN  
DEBBIE SHEA

### HOUSE MEMBERS

JOAN ANDERSEN  
GARY BRANAE  
TOM FACEY  
JEFF MANGAN  
GAY ANN MASOLO  
ART PETERSON

### COMMITTEE STAFF

CONNIE ERICKSON  
RESEARCH ANALYST  
EDDYE McCLURE  
STAFF ATTORNEY  
PAM JOEHLER  
FISCAL ANALYST

March 11, 2002

## MINUTES

Shelby High School Auditorium  
Shelby, Montana

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of documents.**

### COMMITTEE MEMBERS PRESENT

Sen. Linda Nelson  
Rep. Joan Anderson

Sen. Edward Butcher  
Sen. Alvin Ellis  
Sen. William Glaser  
Sen. Don Ryan

Rep. Jeff Mangan

### COMMITTEE MEMBERS ABSENT

Sen. Debbie Shea  
Rep. Gay Ann Masolo  
Rep. Gary Branae  
Rep. Tom Facey  
Rep. Art Peterson

### STAFF PRESENT

Connie Erickson, Research Analyst  
Eddy McClure, Attorney  
Miko Owa, Secretary

### AGENDA & VISITORS' LIST

Visitors' list (ATTACHMENT #1)

## **CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 7:10 p.m. by Sen. Nelson. Roll call (ATTACHMENT #2) was noted with all members present except for Rep. Masolo, Rep. Peterson, Rep. Facey, Rep. Branae, and Sen. Shea who were excused.

## **GOVERNOR'S PLAN**

**Jeff Hindoiien, Governor's Office and Amy Carlson, Office of Budget and Program Planning**, made a PowerPoint presentation to the public on the work of the Governor's Public School Funding Council (EXHIBIT #1). The presentation included a history of the study, the work of the Council, and the final recommendations.

The recommendations of the Council are as follows:

1. Create a countywide levy to fund the property tax portion of the BASE budgets of all school districts in a county.
2. Expand the county retirement levy to fund district health insurance costs.
3. Pursue the establishment of a statewide insurance pool for school district employees and require that all school districts join.
4. Use a weighted GTB calculation for both the countywide BASE budget levy and for the county retirement/insurance levy.
5. Adopt the transportation funding structure proposed in HB 163 from the 2001 legislative session.
6. Calculate the ANB for a district with declining enrollment by using the average enrollment over a 3-year period.
7. Provide an annual inflation adjustment tied to the Consumer Price Index for the basic entitlement, per-ANB entitlement, and special education funding.
8. Use the HB 124 block grant for debt service to expand school facility payment to all low-wealth school districts that have outstanding general obligation bonds and to increase the school facility payment.
9. Allow school trustees to allocate the remaining balance of a district's HB 124 block grants to any budgeted fund of the district.

The Council also looked at the issue of school district consolidation and found:

- no compelling evidence that reducing the number of districts would save costs; and
- no current significant "disincentives" to consolidation, except tax levels.

The Council encouraged school districts to look at the consolidation of education services when it benefits the students. Some examples of such a consolidation are greater use of distance learning technologies and cooperative arrangements among districts for administrative and educational services.

The Council recommended further study in three areas:

1. adequacy of school funding;
2. combining funds for bus depreciation, building, building reserve, technology acquisition, and lease or rental agreements into a capital projects fund; and
3. teacher shortages and teacher salaries.

A copy of the "Governor's K-12 Public School Funding Study Advisory Council Report and Recommendations" (EXHIBIT #2) was provided to the members of the public in attendance. Ms. Carlson also posted maps (EXHIBIT #3) for the public to view to show the changes in the mills for each county under Recommendation #1.

## **PUBLIC COMMENT**

**Kurt Hilyard, Superintendent of Schools, Conrad**, asked about the loss of staff. Mr. Hindoien responded that that came from data that was looked at last session. The profile that OPI does every year has a host of valuable information including what staffing levels have been. He said that the data they used was from 1996-1997.

**Tom Harwood, Farmer, Toole County**, said that the map about equalizing tax levies shows no relationship between the ability to pay and the value of the property. He said that if it comes up for a vote to increase the mill levies that that would not pass. Mr. Harwood said that he really does not like the use of property tax for general funds. He said that he has no problem with tax dollars paying property costs and administrative costs. However, he said that any cost above the average cost should be incurred by the state. Specifically he said special education costs were an issue. Mr. Harwood also said that there are problems with accreditation standards and compensation standards for teachers. He would like to see every Montanan taxed equally. He asked if there was any analysis of starting from a zero base. Mr. Hindoien responded that the mandate was not wide enough to explore the revenue generation side other than shifting existing funds. He suggested that we fund education with a statewide sales tax.

**Bob Anderson, Superintendent, Fort Benton**, said that the recommendation for providing an annual inflator has been discussed by the legislature before and it would give stability to school funding. With respect to calculating ANB, that has been tried before with a certain level of success. However, he said that in some districts there is a fairly steep decline in enrollment. With respect to using a county level to cover health costs, he said that he supports the idea. He suggested that instead of a countywide tax, a statewide deficiency levy may be more suitable or a statewide sales tax.

**Sen. Glenn Roush** said that the cost shifting that took place as a result of HB 124 went back to local governments and property owners. He said that he is not opposed to equalizing mills across the state. He said that anything that the state looks at in the next session, the state should come up with the money and not cost shift that back to property owners. He said that the cost shifting cannot be tolerated at the local levels any more. He also said that a local sales tax would be fine, but the exemptions that would come with the sales tax are not appropriate. Sen. Roush said that the health insurance issue is very attractive, however, it does cost shift the expense to the local communities. He supports statewide equalization and a flat fee on income tax to support education.

**Dennis Roseleip, Superintendent of Schools, Cut Bank**, asked if the impact of the county-wide levy was studied where a large portion of the county is reservation land. Ms. Carlson said that she did not look at whether a county as a whole receives more or less GTB if the county is consolidated or unconsolidated.

**Larry Bonderud, Mayor, Shelby**, expressed concern about new construction and why there are state restrictions when the local community would like to build new facilities. He said that the proposal for combining funds for capital needs is a positive step but he would like those funds to

be able to accumulate.

**Gwyn Anderson, Business Manager, Browning Public Schools**, asked about equalization and where the money would go. Mr. Hindoiien responded that the Council concluded that there would be different streams of funding. Ms. Anderson said that the general fund stream would not be redirected. Mr. Hindoiien responded that the general fund is used to establish the BASE. Ms. Anderson said that the state contribution and the local level contribution needs to be adjusted. She said that the state needs to be an equal partner in the plan.

**Chuck Topley, Superintendent of Schools, Shelby**, said that in reference to the inflation factor, he feels that that recommendation has real merit along with the health insurance proposal and the 3-year averaging of ANB. He also commented on the staff reduction he is facing in his area.

**Sen. Greg Jergeson** said that the issue is extremely complicated and provided a recent history of how the school funding issue came to the forefront. He said that the recommendations are an attempt to simplify this complicated process. He continued to comment about the impact on the local tax payers rather than the state.

**Rep. Carol Juneau**, asked if there were any priorities among the recommendations and if any of the recommendations were tied to each other. Mr. Hindoiien responded that there has been no prioritization. He said that there are some components of the plan that can stand alone, but other components are tied together. Rep. Juneau asked if a county could have their individual impacts computed for them. Sen. Ellis said that Jim Standaert of the Legislative Fiscal Division could calculate those numbers. Ms. Carlson said that she would be happy to discuss the individual impacts with legislators. Rep. Juneau asked if the Education and Local Government Interim Committee has accepted the recommendations. Sen. Nelson said no. The Committee is accepting comments and will report back to Governor Martz. Rep. Juneau said that the state needs to proceed carefully on the sales tax issue as there would be extreme competition for the money received.

**Brian Barrows, Principal, Toole County**, commented on teacher salaries and recruitment priority for small districts. He said that he would like to see a shift from the local tax burden towards the state. He said that he would support a state sales tax if the property tax burden could be lessened to some degree. He said that the health insurance issue is becoming a greater concern for all school districts. He would like to see this as a priority.

**Allan Underdal, Commissioner, Toole County**, said that the Montana Association of Counties (MACO) was a very strong proponent of HB 124 because it gives more flexibility on the local level. He said that he is a proponent of a sales tax, because with no new sources of revenue, the state can only shift funds. He also said that insurance is a large issue and that MACO is currently looking at creating an insurance pool for all local government employees, including school districts or joining the state program.

**Rep. John Musgrove**, commented on the mill equalization and said that he would like to keep politics out of the process. He also said that he would like to keep exemptions out of the sales tax process. However, he is not generally in favor of a sales tax. He also concurred with Mr. Barrows regarding teacher salaries.

## **ADJOURNMENT**

The meeting adjourned at 9:20 p.m.

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DRAFT





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