



Education and Local Government Interim Committee

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58th Montana Legislature

SENATE MEMBERS

DON RYAN—Vice Chair
GREGORY BARKUS
WILLIAM GLASER
RICK LAIBLE
JEFF MANGAN
DEBBIE SHEA

HOUSE MEMBERS

JOAN ANDERSEN—Chair
NORMAN BALLANTYNE
SUE DICKENSON
TOM FACEY
VERDELL JACKSON
LARRY LEHMAN

COMMITTEE STAFF

CONNIE ERICKSON, Research Analyst
EDDYE MCCLURE, Staff Attorney
REBECCA SATTLER, Secretary
PAMELA JOEHLER, Fiscal Analyst

K-12 Education Subcommittee MINUTES

January 9, 2004

Rm. 102, Capitol Building

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 the document.**

COMMITTEE MEMBERS PRESENT

REP. NORMAN BALLANTYNE
REP. TOM FACEY
REP. VERDELL JACKSON
REP. LARRY LEHMAN, Chairman

STAFF PRESENT

CONNIE ERICKSON, Research Analyst
EDDYE MCCLURE, Staff Attorney
REBECCA SATTLER, Secretary

AGENDA & VISITORS

Agenda, ATTACHMENT #1
Visitors' list, ATTACHMENT #2

COMMITTEE ACTION

- ! Adopted October 30, 2003 Subcommittee minutes.
- ! Authorized staff to meet with the appropriate groups on the statewide health insurance pool and report back to the Subcommittee in April.
- ! Requested an update from OPI regarding the federal acceptance of Montana's definitions required by the No Child Left Behind Act.

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:00 p.m. by CHAIRMAN LEHMAN, and the secretary noted the roll (ATTACHMENT #3).

REP. FACEY *moved* to adopt the minutes. REP. BALLANTYNE seconded the motion, which carried unanimously by voice vote.

I. DISTANCE LEARNING PROJECT

SEN. LAIBLE gave an informational brief regarding a distance learning pilot program. The Governor apportioned \$250,000 for the project, which involves 250 students and 13 teachers. He stated that the project provides Montana's rural schools with e-learning access to qualified teachers and courses that otherwise wouldn't be available to them. Dr. Paul Rowland is the direct overseer of the pilot project. Sen. Laible explained that the students can tie in with the blackboard system at the high school to take university classes online and obtain university credits.

II. ROUNDTABLE DISCUSSION ON STATEWIDE HEALTH INSURANCE POOL

CHAIRMAN LEHMAN distributed a list of potential questions that Connie Erickson compiled to help the Subcommittee get started with the discussion (*EXHIBIT 1*). He shared a personal example of his battle with cancer and the crucial role his insurance has played in providing treatment. The panelists then introduced themselves, including:

- ▼ Beaverhead County Superintendent of Schools – Dottie Donovan, Superintendent
- ▼ Governor's Office – Jean Branscum, Health Policy Advisor to the Governor
- ▼ Great Falls Public Schools – Judy Higgins, Human Resource Manager
- ▼ Missoula County Public Schools – Marty York, Insurance Committee
- ▼ MEA-MFT – Tom Bilodeau, Research Director
- ▼ MREA – Dave Puyear, Executive Director
- ▼ MTSBA – Bob Vogel, Director of Government Relations
- ▼ Montana School Health and Welfare Plan – Dixie Kibbee
- ▼ Montana Small Schools Alliance – Claudette Morton, Executive Director
- ▼ MUST – Bob Robinson, CEO, Montana School Services Foundation
- ▼ SAM – Darrell Rud, Executive Director

Tom Bilodeau began the discussion on health insurance pools. He said that a proposed nationwide health insurance pool was not successful, but lead to both state and national healthcare reform. He went on to explain the two bills that MEA-MFT have proposed in the past regarding health insurance pools. The 1997 bill would have mandated participation for all school employees in the pool, which is the main difference between that proposal and the 2003 proposed bill. He explained that the underlying issue with the 1997 bill was that school districts would have received an unfunded mandate. The proposed bill for 2005 would go back to the 1997 bill, giving options to the overall mandate. He stated that three options for funding the mandate could be: 1) subsidize the statewide premium; 2) build in a \$500 entitlement; or 3) other forms of assistance. He added that there are still questions to be worked out regarding the single/multiple health benefit plan options, maintenance of the account and establishing

reserves, and the selection of an administrator for the statewide plan.

CHAIRMAN LEHMAN wondered if the plan is mandated and state-funded, how it would affect private schools. Mr. Bilodeau answered that this bill is for K-12 public education only. CHAIRMAN LEHMAN pointed out that all teachers are certified by the state, but Mr. Bilodeau reminded him that co-mingling of state money is illegal. CHAIRMAN LEHMAN offered that it might make it harder for private schools to attract teachers, since they could not offer the same health plan. REP. JACKSON inquired about cost containment and if there will be an incentive to keep costs down if the State is picking up the extra. Mr. Bilodeau answered that wellness programs and incentives will continue to be offered, but also network service provider discounts provide substantial savings for such a large group. REP. JACKSON asked if there will be less competition among providers. Mr. Bilodeau responded that there should be close to the same number of statewide providers. He added that it might be awkward if the administrators of the plan could be divided, but another option would be to have one statewide provider selected by the usual process. Dave Puyear inserted that the process ought to be wide open and expressed his frustrations with not being involved in the process during last session, or even informed about the bill until it was too late to work with changes. He suggested that everyone be allowed to participate in the development of the bill.

REP. BALLANTYNE inquired about the financial situation of the MUST program. Bob Robinson explained that the MUST trust was unfunded by \$6.7 million in FY2001, but in a 2-year span there was an \$8 million swing and they expect to be \$3.5-4 million in the black at the end of this fiscal year. Jean Branscum expressed her doubt regarding the cost savings potential for the state. She shared the example of University of Minnesota and their limited success with a purchasing pool. She explained that they were not able to reach economies of scale to make it work. Bob Robinson replied that the program is feasible with smaller numbers, and still thinks the statewide plan would work.

Dixie Kibbee informed the Subcommittee of the Montana School Health and Welfare Plan's success as a coop, stating that they currently have close to \$2 million in reserve. The pool is not self insured, but it is fully insured through Blue Cross Blue Shield, taking away the coop's liability concerns. She added that the situation can change rapidly with health insurance and their reserves could quickly be depleted. Marty York added that Montana cost-contains well and that other states look to the state as an example. She stated her concern with potential delivery issues and those who would be left out of the plan. Claudette Morton explained that there are many rural teachers who are completely uncovered by insurance. Through her position with the Montana Small Schools Alliance, she knows of 60 schools who provide no form of insurance and 21 who only provide a once-a-year stipend of \$400-2,400. There are 22 school districts in Montana whose employees also don't belong to Social Security or pay Medicare, so those employees don't have those benefits upon retirement.

Judy Higgins stated her appreciation to MEA and their investment in trying to make the health insurance situation better. She stated that Great Falls is doing well with their health plan and is concerned that a statewide plan would greatly increase their premiums. She wondered if there will be an update on the actuarial tables to give an accurate cost estimate in the upcoming 2005 bill. Tom Bilodeau responded that there will be. He added that MEA-MFT invested \$35,000 to fund the 2003 proposal estimates and are not sure if they will do it all again, but they realize the importance of accurate actuarial information.

Alec Hansen, League of Cities and Towns (LCT), explained that LCT hasn't made the decision to implement a self-insured pool yet, but hopefully they will reach that decision. He stated that LCT's goal is to have coverage by July 1, 2004. He added that LCT already has the authority in place to implement such a plan, since multiple cities can do anything an individual city can.

Judy Higgins added that Great Falls public schools opposed HB 302 in the 2003 session, because the premium costs were too high. Currently, the premium for their teachers is only \$422/month for extraordinary coverage. She said that they couldn't endorse a statewide plan unless it could ensure that their teachers won't incur more cost with less coverage. She understands the benefits of a larger pool, but stated that they still have concerns. CHAIRMAN LEHMAN asked if there has been a change in the premiums in the Missoula school district since the 2003 session. Marty York replied that premiums increased by 14%. She said that they offer a \$350 deductible with great coverage, and that their trust fund is in a healthy condition. She agreed that something needs to be done collectively and would like to create a new plan instead of revising the old one. SEN. LAIBLE suggested that MEA-MFT bring their proposed legislation to the Subcommittee to then be sponsored by the Committee instead of carrying it on their own. Mr. Bilodeau explained that they have more time this session to work with others to ensure that the bill will have adequate support. MEA-MFT is organizationally mandated and very committed to accomplishing this task.

SEN. RYAN said that he carried HB 302 in the Senate during the 2003 session. The bill was tabled in committee without discussion and then a motion to amend the bill (allowing everyone to opt out of the statewide system) passed on the Senate floor. SEN. RYAN stated that the statewide pool is still a good idea and would lift the biases on hiring. He suggested that the K-12 School Renewal Commission could look for ways to fund the unfunded mandate portion of the proposal. Darrell Rud added that adequate insurance coverage for all is a necessary statement to make to the educators that they are important.

Dottie Donovan expressed her concern over the portion of last session's bill that only covered districts that had coverage the prior year, since her districts can't offer insurance. Tom Bilodeau replied that the bill for 2005 would not include that clause. Ms. Donovan added that the uninsured in her districts are generally healthy and wouldn't drain the fund. REP. FACEY said that there are 4,000 uninsured teachers in Montana, and it's going to be an investment to get everyone covered, but it's important. He believes that mandatory enrollment would be appropriate and that the Great Falls and Missoula programs should be replicated, due to their success. REP. JACKSON talked about his experience with the bill during the 2003 session, stating that the bill was very complicated and two major flaws included the questionable financial integrity of the bill and the lack of professionals on the Board. He said that insurance professionals testified during the session and pointed out major gaps in the bill. Rep. Jackson still sees the need for a good, solid program that would work and every group would support.

CHAIRMAN LEHMAN stated his support in response to Darrell Rud's inquiry of legislators' interest in a statewide health insurance program. CHAIRMAN LEHMAN emphasized the need for MEA-MFT to come together with all involved parties and have the interim committee carry the bill in the 2005 session. REP. BALLANTYNE suggested that the Committee could possibly work with the State to form a joint insurance program. Darrell Rud stated that about 80% of the people with whom he has spoken agree that something needs to be done for the good of the majority of Montanans. He added that MEA-MFT invested a lot of time and money in a good

faith effort to create a helpful bill. He said that everyone needs to be committed to working with MEA-MFT in making a good bill, even if that includes a financial involvement.

REP. FACEY suggested the following for consideration at the next meeting:

- What are the basic parts of a good pool?
- Where will the money come from?
- Realization that some hurdles simply cannot be overcome.

Marty York added that the 2003 bill didn't have a standard eligibility or a standard contribution, though she does support a statewide program. She also supports a total statewide employee program that would include teachers. Bob Vogel pointed out that the opposition to the 2003 bill was in the details, though almost all favored the general idea of a statewide pool. *EXHIBIT 2* is a copy of MTSBA's Resolution Regarding State Support for Health Insurance, showing that school districts realize the need to participate in and fund insurance programs. Bob Robinson distributed *EXHIBIT 3*, MUST's health information profile to give a sense of the risk and cost of health insurance. He stated that the state employee pool might not want to include the teachers because it could decrease their benefits.

SEN. RYAN said that retirees is another issue since they have to pay their own insurance upon retirement. He pointed out that often the employees continue to work longer to be eligible for paid insurance. Dixie Kibbee stated that the smaller the pool, the more volatile the money, so a statewide pool would help the smaller districts. She believes the pool participation has to be mandatory to make it work, and that a regional pool wouldn't work as well as a statewide pool. She agreed that the unfunded mandate is not feasible for small districts. She offered that health savings accounts could possibly be a solution. Jim Edwards distributed *EXHIBIT 4* showing the premium predictability benefits of being in a large pool. Page 2 of Exhibit 4 includes the claims by age showing the demographics of the claims, and page 3 illustrates claims by individuals. Page 4 is a claims distribution analysis and page 5 is a graph by the E. Kaiser Family Foundation and Health Research and Educational Trust showing average monthly worker contribution for single and family coverage. Mr. Edwards suggested that various benefit plans and prices be offered, including larger deductibles, to satisfy the desires of all involved so all participate.

The Committee discussed the need to preplan a bill so the investment is factual and includes all of the information up-front. It was agreed that there needs to be a meeting for all districts and involved parties to come to a consensus. CHAIRMAN LEHMAN added that the Committee cannot be experts in all legislation, so it is important for the groups to come together. Eddy McClure suggested that Connie Welsh with the state plan be contacted to see if they would even be interested in participating with the schools, as well as the League of Cities and Towns and Montana Association of Counties. Dave Puyear added that he would like to see a meeting with all of the education groups, since that has never been done, and to identify the "deal breakers" involved.

REP. FACEY *moved* that the Subcommittee authorize staff to meet with the appropriate groups on the statewide health insurance pool and report back in April. The motion was seconded. Connie Erickson said that MEA-MFT should continue the work they have in place and staff could facilitate any discussion that needs to take place. The goal would be to have a solid, written proposal submitted to the Subcommittee in June, and then taken to the full Committee in

September. Tom Bilodeau agreed, and stated that MEA-MFT does realize the need to work with other groups. Marty York added that Joe Potter from the classified educational community would be an interested party on the subject as well. The motion passed unanimously by voice vote.

SEN. RYAN added that one of the deal breakers from last session involved the stipulation that the bill be revenue-neutral. REP. FACEY said that the money issue could be worked out, and might not be the deal breaker this session. REP. BALLANTYNE thanked everyone for participating in the discussion and boldly voicing their opinions. CHAIRMAN LEHMAN echoed Rep. Ballantyne's comments, and asked that staff keep the Subcommittee informed from now until the next meeting.

III. OTHER ISSUES

Use and effectiveness of federal dollars with regard to No Child Left Behind: Joe Lamson, OPI, recapped the Nov. 18 meeting with the Technical Assistant Corps to deal with the "highly qualified" teachers requirement. The meeting was opened up to OPI staff and interested persons, and included five representatives from other states. He said that the federal government is starting to realize the problems for Montana associated with the requirement. There has been some discussion regarding the special education requirement as well, but there have been no changes in regard to testing. The Board of Public Education is engaged in a cooperative survey with OPI to inquire what the schools' preference would be regarding state testing, however. REP. JACKSON requested that Mr. Lamson provide the Subcommittee with the results of that survey at the Subcommittee's April meeting. Mr. Lamson also stated that qualification for the after school programs could be defined by the state, should it be transferred from federal funding, but there is always the question of available funds. It is an important need, but hard to secure funding for all who could benefit from the programs.

Control of local school boards over their local budgets: REP. JACKSON said that he wanted to find out if other administrators thought there should be more flexibility at the local level. Bob Vogel agreed that more flexibility is better for local school boards. The Subcommittee discussed the recent changes in legislation that have enabled school districts to invest and monitor their monies under certain restrictions.

Protested taxes: SEN. RYAN said that tax equity is affected by the amount of centrally-assessed property that falls within a district. He would like to see taxes on centrally-assessed property collected by the state and shared with all school districts. That would make home-owner taxes more equal across the state. He added that if the K-12 School Renewal Commission doesn't take action on this issue, the legislature needs to do something about the protested taxes. He said that it's a no-lose situation for the centrally-assessed properties to protest their taxes. By protesting, a company hopes for a reduction through negotiations, but is not penalized for holding that money, and even get a tax break from it. CHAIRMAN LEHMAN wondered if all companies are aware of this. SEN. RYAN said that it will most likely become the trend as other companies realize the benefits in protesting their taxes. Bob Vogel said that he has a list from the Department of Revenue (DOR) of the counties most impacted by PP&L's tax protest, and some were hit very hard. He stated that OPI and DOR are taking a look at the tax protest issue and the impact it has on local school districts.

Consolidation of centralized administrative functions: SEN. RYAN explained that the K-12 School Renewal Commission is addressing this issue as well. The Commission is looking into regional service centers, which are larger than districts, to deal with the administrative costs and meet the teaching needs. REP. JACKSON stated that he is not interested in consolidating schools, but in consolidating central administration functions instead. CHAIRMAN LEHMAN agreed that there are areas where administration could be centralized, but that dips into the question of local control. He lives in a district that has been sharing a superintendent with another district for six or seven years. He said that some schools are making an effort to consolidate and make things more efficient. SEN. RYAN agreed that the general public is interested in streamlining the administrative process, but is not interested in closing down schools. CHAIRMAN LEHMAN inserted that it is a local control issue and the Committee probably doesn't have any legal leverage to make those changes. Bob Vogel stated that it is an accreditation standards issue, not just a local control issue.

IV. PUBLIC COMMENT: None

V. WRAP-UP

Connie Erickson stated that the next meeting date is April 2, 2004. The full Committee probably will not meet at that time, but each subcommittee will meet. She said that the agenda items for the next meeting include health insurance, an OPI update regarding NCLB definitions, and an update on the status of the MEA-MFT bill negotiations.

ADJOURN

The meeting adjourned at 5:00 p.m. The next meeting date is scheduled for April 2, 2004.

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