



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

May 22, 2002

MINUTES

Kalispell, 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

Rep. Joan Anderson
Rep. Tom Facey

Sen. Debbie Shea
Sen. William Glaser

COMMITTEE MEMBERS EXCUSED

Sen. Linda Nelson
Sen. Edward Butcher
Sen. Alvin Ellis
Sen. Don Ryan
Rep. Gay Ann Masolo
Rep. Art Peterson
Rep. Jeff Mangan
Rep. Gary Branae

STAFF PRESENT

Eddy McClure, Attorney

VISITORS' LIST

Visitors' list (ATTACHMENT #1)

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 7:00 p.m. by Rep. Anderson. Roll call (ATTACHMENT #2)

was noted with all members present except for Rep. Masolo, Rep. Peterson, Rep. Mangan, Rep. Branae, Sen. Butcher, Sen. Ellis, Sen. Nelson, and Sen. Ryan who were excused.

GOVERNOR'S PLAN

Jeff Hindoiem, 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

John Fuller, State Board of Public Education, said that there will be an opportunity at the next legislature to deal with school funding and if we fail to do so, we will have lost a generation of children in Montana. The education system is at a serious crossroads and funding is part of the issue. The detractors who say that 47% of the general fund already goes to education, maybe we should say that it should be 60%. To those who say that we keep giving you more and more money for education, we rely that over the last 30 years, four new children have been added to the education family: special education, handicapped accessible, gender equity, and technology. Mr. Fuller said that these may be unfunded federal mandates but they are also due process issues that are the right thing to do, but very costly. He said that we need to make budget priorities so that all of the children in the state of Montana will not be lost. He said that we should put all of the teachers and state employees in the same health insurance system.

Dan Zorn, Assistant Superintendent of Schools, Kalispell, asked about the removal of a moratorium on the creation of new school districts. Mr. Hindoien said that they looked at that because that might be preventing consolidation in some cases. He said that there is an exception in the statute that allows new districts under certain circumstances. He said that he supported the idea regarding health insurance as that would allow them to free up general fund dollars and spend that money to hire qualified teachers and offer more programs. He said the inflation factor would bring some predictability to school funding. However, he said that due to the state's failure to keep up with inflation, increases exceeding the CPI are required. He concurred that further study on adequacy is needed and said that a professional judgement study is underway. He said that the Council should take time to listen to the recommendations forthcoming. Following the meeting, Mr. Zorn, mailed in his testimony (EXHIBIT #7).

Bradley Worth, Public School Trustee, Big Fork, said that currently there is a debate in the print media over whether the state is providing enough funding for schools. While the debate goes on, we are faced with a dire shortage of funds. He said that this year they are paying \$20,000 more in utility costs and last year they paid \$21,000 more than the previous years. He said that schools are at the bare bones as to what services they are providing. He said that thanks to the voters, they can provide such luxuries as field trips. He said that we cannot offer the necessary courses to those students going into higher education because we don't have enough money. He said that some of the Council's ideas are wonderful, but a lot of them are not going to get administrators and board members to stop saying that the only thing that will get their attention is suing the state to provide adequate education. He said that he hopes that that will not be it because it will be a terrible commentary on the state of Montana. He said that there is no more fat that can be cut from the budget. He hopes that the next legislature will look very seriously at the issue of adequacy.

Jerry Pauli, Thompson Falls Schools, said that there is more focus on education today than there has been in the last 30-40 years and that is very positive. He said that a sales tax, a cut in corporate taxes, or a cut in property taxes is not going to solve the issue. He wanted to address three areas, two of which were not addressed in the study. We talk about a crisis in education, but it goes further than that. We have a crisis in this state, in the future of our children. We need to address economic improvement in this state, and educators need to become involved in the discussion. The second issue is all-day kindergarten. Research shows that all-day

kindergarten is very effective for low-income students, and Montana is a low-income state. The third issue is that we're losing our teachers. While we can't raise their salaries significantly, we can do something for teachers who are close to retirement by enacting a 2% multiplier as an incentive to stay for 30 years. This proposal is not cheap, and local taxpayers will not accept it without legislative support. He said that we need leadership in all areas to create a vision for the state of Montana. Mr. Pauli provided his written comments (EXHIBIT #4).

Sharon Applegate, School District No. 5, Kalispell, said that she would like to see addressed the fact that the kids in the classrooms are changing. She said that one thing that comes with economic crisis is a crisis in the family and we have a lot of scared and angry kids. She said that the way we deliver education has to change because they need help. She said that the schools need help.

Steve Morgan, School District No. 10, Cayuse Prairie, said that in 1991 the district had 6 mills to help with the general fund. In 2002, they have 85 mills to help with the general fund. In 1991, approximately 95% of the special education budget was state funded and contingency funds were also available for severely disabled students. In 2002, only \$22,000 was provided to the district based upon student enrollment with an additional \$16,000 given for disproportionate costs. He said that there is this type of disparity in a number of districts as well. He said that for a district his size, they have gone from 95% being provided by the state to 45% being provided by the state. He said that those costs have been passed on to the local tax payer and the state has not funded its fair share. He said that something needs to be done on the state level. He said that Montana needs to focus more on our state resources and determine what is going to bring money into the state. Property taxes are the only source of allowed by the state.

Joyce Decker Wegner, Superintendent of Schools, Lake County, provided to the Committee graphs detailing the importance of ANB on school funding (EXHIBIT #5) and state funding vs. local funding (EXHIBIT #6). She said that the graphs represent what has happened across the state and in Lake County. She said that it was a comparison in funding across all funds with 57% of the funding coming from the state. She said in 1999, 45% of the funding is coming from the state. She said that there is a decrease in state funding for school budgets. At the same time, the district share has increased from 26% to 35%. She said that the state is shifting costs to the local districts. Lake County is a low tax value, high GTB area. Federal funding is very important because of the presence of an Indian reservation and because we have grant writers.

Harry Amend, Superintendent, Kalispell, said he had two brief points. First, he was encouraged to see an editorial by the Governor in support of education and teachers' salaries and that she was looking for creative and innovative ways to increase school funding. We encourage her to continue these efforts. The second point is a way to save money without an outlay of money. We need to amend the accreditation and certification standards to allow a small school certification process that used to be available nationwide in the 1960's and 1970's. Under the current standards, a small school, 15-20 students, has to have six teachers to meet the accreditation standards, when in reality they only need three teachers. We should allow teachers in small schools to teach in multiple disciplines, so small schools could hire fewer teachers.



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