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Linda McCulloch
Superintendent

January 24, 2005

SENATE EDUCATION

EXHIBIT NO. 2

DATE 1-24-05

BILL NO. SB-147

To: Senate Education Committee

From: Madalyn Quinlan, Chief of Staff
Montana Office of Public Instruction

Subject: Senate Bill 147

My name is Madalyn Quinlan, Chief of Staff of the Montana Office of Public Instruction. I appear before you today on behalf of State Superintendent Linda McCulloch to support SB 147.

Senate Bill 147 repeals a provision that was passed by the 2003 legislature which limits the retirement benefits that a school district may charge against its retirement fund. Under current law (as amended by SB 424 last session), school districts may only charge the retirement fund for retirement benefits associated with employees paid from state and local funds or the school food services fund. Cooperatives may only charge the retirement fund for retirement benefits associated with employees paid from the cooperative's interlocal agreement fund if the interlocal agreement fund is supported solely from districts' general fund and state special education allowable cost payments. The retirement benefits associated with employees paid from federal grants and private sources may not be charged to the district retirement fund.

The impact of the changes made by the 2003 legislature was to reduce the funding available to schools on an annual basis by \$14.25 million in FY2006 and by \$15.2 million in FY2007. SB 147 reverses the harm that was done to districts last session by expanding the allowable charges to the retirement fund to include retirement costs associated with all employees.

The Montana Supreme Court has confirmed what school districts have been telling us for the past several years, our public school system is underfunded. Schools need to use their federal monies to fund classroom instruction and support services for students. The requirement to fund retirement costs from these federal funds cuts into the ability of schools to provide those important services.

"It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve."