

Mr. Chairman and Members of the House Education Committee:

For the record, I am Kris Kuehn, Superintendent of the Malta Public Schools. I rise today in general opposition to HB 136 as written. While the current draft has merits, specifically it:

- Makes up for most of the anticipated loss of one time only ARRA funding from the present biennium
- Restores At Risk
- Restores Special Education Maintenance of Effort
- Provides an inflationary adjustment of 1.9% and 1.53%, calculated in accordance with law.

However, with those positive attributes, the more troubling issues with HB 136 are summarized below:

- It does not propose to make up for the gap in the present biennium between the 1% and 3% increase incorporated in statute and the 3% and 3% that was funded with ARRA and which reflected the statutorily-computed inflation on the basic and per-ANB entitlements this biennium. What this means is that state aid will fall behind inflation as calculated pursuant to law, in accordance with the Court's decisions in Columbia Falls v. State, by 2%.

In a district the size of Malta, every 1% decrease in state support impacts the General Fund Budget by \$40,000, or approximately one staff member, or \$80,000 based on the 2% reduction.

- Cuts existing state general fund support of a key element of the funding formula, quality educator payment (QEP) and seeks to make up for that cut in existing state general fund support by taking away oil and gas revenues from school districts in areas where such development is occurring.
 - a. Affects approximately 130 school districts.
 - b. Leaves the affected school districts' taxpayers responsible for a property tax increase of approximately \$33 million per year (based on FY10 oil and gas revenues)
 - c. Leaves the affected school districts vulnerable to significant budget cuts when their oil and gas-related reserves run out.

While the aforementioned problems with HB 136 do not specifically affect the Malta Public Schools, the indirect effect would be felt County wide, as Transportation Budget Levies would increase, as well as the general negative tax impact to Phillips County, especially a revolt by taxpayers via protested taxes, etc.

However, the most problematic aspect of HB 136 is that this proposal is NOT about sharing oil and gas money among all schools. It is about giving money previously committed to K-12 to others and then taking oil and gas money from schools to make up for the shortfall.

I do not think that it is proper or appropriate to balance the state budget on the backs of those affected school districts, where the only positive thing going for them is the production of oil and gas, and the impact that that development has on those communities already. The issue that gets lost in this debate is the simple fact that the State of Montana already receives 50% of the Oil and Gas Revenue produced by the Oil and Gas Industry. To dip its fingers into the other 50% is downright disingenuous.

The basic elements, as noted above, are not bad, however, the method in which this is proposed to be funded is not acceptable to the school districts of this state, or the children they serve.

I appreciate your time and will answer any questions you may have.



Kris Kuehn
Superintendent
Malta Public Schools