



# 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 13, 2002

## MINUTES

Fergus High School  
Lewistown, 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  
Rep. Jeff Mangan

### COMMITTEE MEMBERS ABSENT

Sen. Debbie Shea  
Sen. Don Ryan  
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, Sen. Ryan, and Sen. Shea 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**

**Rep. Alan Olson** asked about gambling revenue and what impact the anti-gambling initiative will have if passed. Ms. Carlson responded that schools do not receive any funds from gambling revenue so there will be no impact.

**Jay Erdie, Superintendent of Schools, Roundup**, felt the recommendations would be an enhancement. His concern is how the legislators are going to act. Sen. Nelson said that when the bills are drafted, there will not be unanimous agreement. She said that if the public is supportive of a bill it is important for them to voice their opinions.

**Oscar Cantu, Winifred**, said that his school district is in a funding crisis and that another study does not need to be done to provide that information. He said that even with equalized funding, the state is broke and asked why another study needed to be done. Mr. Hindoien responded that that is not a universally held view, especially in the area of adequacy.

**Tony Rebich, Denton**, said that large schools are taking budget cuts as well and wants to know when relief will be coming. He also asked about the state health policy program and MUST. He said that it is ludicrous to say schools are expanding.

Mr. Cantu said that he wished the Council was working on the real problem which is money. He said that in his community, the school district is the largest employer.

**Terry Gill, Fergus County**, asked about Democrats on the State Land Board voting against the Otter Creek Coal Mine tracts. He said that if the vote had passed, then there would be a fresh revenue source. He asked if that would alleviate the current situation. Mr. Hindoien said that in terms of the vote, the issue before the land board was whether or not they should enter into a settlement agreement with the Northern Cheyenne tribe. He said that the Land Board wanted to gather more information before entering into an agreement. The tribe has since withdrawn their litigation. However, he said that coal development on those tracts would provide the state with substantial revenue. Mr. Gill asked if the resources were available would it be necessary to meet about school funding. Mr. Hindoien said that that is difficult to answer.

Mr. Rebich said that if the Otter Creek tracks were developed there would be approximately \$12 million in new revenue. Sen. Ellis asked for the source of his information. Mr. Rebich did not know. Mr. Hindoien said that he has not seen any figures regarding development, however he does not believe development will happen soon.

Rep. Olson said that last year the State Land Board put stipulations on coal bed methane development. He said that there is a school trust section of land that is not being developed, which could bring in significant revenue.

Rep. Mangan said that there is a school trust fund proposal from the Secretary of State and the Superintendent of Public Instruction. He said that this is not the forum to debate coal bed

methane development as we would still have a need for this meeting based on what the Governor's plan discusses. He said that we want to keep bridging the gap between the rich and the poor.

**Charlie Brown, Superintendent, Lewistown**, said that averaging ANB and the inflator discussed would help the school tremendously. He said that the state contribution for the elementary school and high school is decreasing and the school district is going to need something. Lewistown has lost 250 students and cut \$250,000 from the budget over the last two years.

Mr. Erdie asked about accreditation standards and special education. Mr. Hindoien said that special education was looked at briefly and they did talk to school funding experts about putting weighting components into the school funding. However, as a council, they were not able to create any specific recommendations. In reference to accreditation standards, the Council was unable to determine the cost associated with meeting those standards. State education groups are conducting an adequacy study that may include costing out the standards.

Mr. Brown said part of the presentation is deceiving with respect to the ANB amount which includes all of the federal money.

**Judy Byrne, Retired Teacher, Lewistown**, said that she was a part of the suit that developed the funding formula we are using now. At that time there were two questions which were adequacy and equity. She commented about the entitlement adjustment slide and recommended that the Committee go back to the legislature and add in an extra 60% that schools have been behind since 1996.

**John Baule, Superintendent, Moore-Hobson**, asked about the funding structures and declining enrollments. He said that he has not seen costs decline with a decrease in the number of students. He said that they are also having difficulty providing adequate salaries to new teachers.

Mr. Rebich said that the most important thing is that we are losing a number of programs for our children. He also said that the federal government is requiring additional testing without providing any funding. He asked how long it is going to be until school districts receive relief from the state.

Mr. Hindoien said that he does not know when relief is going to come, but it is important to hear from the public and to pass the information on to the legislature and governor.

Mr. Rebich said that the state is getting their money's worth as Montana test scores are high in comparison to the rest of the country. He said that we are doing well now, but the schools are slowly slipping. He said that there is a dire need for more money.

**John Sampsel, Trustee, Stanford**, asked about a state sales tax. Sen. Nelson said that putting a sales tax on the ballot is very easy, but the public chooses not to pass the tax. Sen. Ellis said that you can't get the votes in the legislature to put the issue on the ballot.

**Dan Melick, Teacher, Lewistown**, said that inflation needs to be considered more as well as

the rise in per student cost with declining enrollment. He also said that there are more disciplinary problems that need to be addressed as they utilize more resources. He also said that 41% of teachers in Lewistown are ready to retire and less than 25% of teachers educated in the Montana University System stay in the state. He said that teachers in Lewistown have given up their early incentive to retire so that new teachers could be brought in at a higher salary. He also said that there can no longer be unfunded federal mandates.

**Scott Seilstad, Denton**, said that he likes the three year average for ANB. However, he does not know how the county equalization will work as many school districts do not want to pay for other school districts.

**Sherry Dedfern, Lewistown**, asked what kind of support is there in the governor's office. Mr. Hindoien said that the Governor is very encouraged, but would like to hear the thoughts of the public and see the revenue report before presenting her final report. Sen. Glaser said that the legislature is listening to the public and trying to understand how best to distribute revenue. Rep. Anderson said that the Committee and Council are conducting the hearings to hear from those who are in the trenches.

Sen. Butcher said that there was a call for a special session to deal with the Department of Public Health and Human Services (DPHHS) issue. He said that the legislature voted not to have the special session because the money needed for DPHHS was going to come from education. Sen. Butcher also criticized federal mandates and asked the public which mandates they could live without. Sen. Butcher said that in special education areas, the federal government is not meeting its obligations. He said that the states need to stand up to the federal government and implement only those mandates that are funded. Sen. Butcher also questioned the need for accreditation standards. Sen. Butcher asked the audience what taxes they would like to have raised to fund education.

Rep. Mangan said that every two years we face a challenge of funding education and if it weren't for the current educational leadership we would not have the 5.5% that is currently available. He said that the legislature hasn't funded education properly and if this continues to happen, the only blame is on the people that we elect.

Sen. Nelson said that we are trying to be non-partisan and come at each issue with our own belief.

Mr. Brown said it would be totally unconscionable to go after special education, people who need our care, to balance the budget. Special education students are entitled to an education the same as everyone else.

Mr. Cantu said it seems like the total expenditures in the presentation amount to only 17%. He said that someone is going to have to pay for education, but it continues to fall on the local communities to do so. He said that he is willing to partner with the state, but he wants the state to contribute as well. Mr. Hindoien said that the numbers show averages and not always school districts like Lewistown. He said that it is to show the amount of spending increases that have occurred.

**Stacey Vestal, Business Manager, Lewistown**, said that we cannot get rid of accreditation

standards as that would be a terrible solution. They guarantee that our students are well educated and well trained. She said that if they could have some flexibility with year end dollars and the general fund then that would help.

**Scott Dubbs, Principal, Fergus High School**, said that equity proposal is great. However, the real needs of the school were missed. He said that we need to find a way to find teachers and fund health insurance. He said that he would like those issues to continue to be looked at. He also said we need accreditation standards because they define quality education. He said the state should not turn down or throw away federal dollars.

**Scott Hamley, Teacher, Lewistown**, said that he is going to go home with less money this year than last year due to increases in health care. He also expressed concern over the number of teachers going out of state after graduating from Montana schools. He also took offense at previous comments of a committee member that anyone can teach. He has spent He has spent years teaching and takes great pride in perfecting his profession.

Ms. Byrne said that teachers are represented by statewide groups and have gone to the legislature with one voice. She said that those groups are telling the legislature what teachers need. She agrees with the recommendations that have been made, but she does not believe they have gone far enough.

Mr. Rebich said that a plan can not be implemented fast enough. He added that he hopes Sen. Butcher never takes it into his heart to cut special education; but he would like to see the federal government provide more funds for federal mandates.

Sen. Butcher said that he is not advocating cutting special education; he would like schools to have greater flexibility in choosing the programs they need with the federal funds allotted.

Mr. Erdie said that he hopes when the Committee returns to Helena the issue will not be polarized by the different political parties.

## **ADJOURNMENT**

The meeting adjourned at 9:40 p.m.

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