



# 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 21, 2002

## MINUTES

Stevensville, Montana

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### 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

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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**

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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:

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2. combining funds for bus depreciation, building, building reserve, technology acquisition, and lease or rental agreements into a capital projects fund; and
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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.

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**Toba Winston, Parent Organization/Gifted Students**, said that she did not understand the merits of combining the health benefits with the retirement benefits. **Madalyn Quinlan, Office of Public Instruction**, said that the Council looked at how quickly the health insurance costs were increasing and school districts are paying health insurance out of their general fund. She said that the notion was to take health insurance out of the general fund and put it into the county budget where it would not be capped. Ms. Winston said that that would shift the cost of health insurance from the state to the local tax payer. Ms. Quinlan said that it shifts the cost from the district to the county.

**Jim Sadler, Trustee, Missoula County Public Schools**, said that anything that moves items out of the general fund is always helpful. He said that he likes the ANB averaging idea. He said that we have heard for many years the idea of "feeding the formula" and it would help to bring the 16% up to 20% which would bring us up to the adequate formula. He said that the idea of moving health insurance to the retirement fund would be a difficult idea for taxpayers to take without additional funds from the state. We need to look for alternative funding sources. He said that Missoula County has been experiencing declines since 1995 which has meant cuts every year. The Council should be commended for coming up with these ideas.

**Lisa Nicholls, Lone Rock**, said that the statistic of teachers being ranked 8th is incorrect, because the Department of Labor lumps their categories together so it includes administrators and other things. She said that teachers are ranked 157th and it would be helpful not to hear statistics that are inaccurate. She said that she has some concerns that we are not talking about revenue. She said that if we continue to look at more tax cuts at the state level, then we are simply shifting the burden to the local property tax payer. She said that local property taxes have been going up 12% per year to make this up. She said that until the state looks at the revenue it needs to fund education adequately, the recommendations here are going to be limited.

**Dave Severson, Missoula Education Association**, commended the Council for its work and said that we need to provide more funding for the formula and that should be the main goal. He

said that the state needs to provide its fair share and not keep shifting the burden to local tax payers and expect things to be equal. He said that another concern is the teacher shortage that is here. He said that in the last two years we have lost 83 teachers. He said that there are 150 teachers who are qualified for retirement in Missoula County and could leave at any time. He said that he feels sorry for smaller districts who are not going to be able to higher certified teachers this year.

**Tonia Bloom, Trustee, Corvallis**, asked if it is going to be mandatory for all legislators to listen to this presentation and have an opportunity to ask questions. She said that some legislators are not even aware that they control the appropriations that go to schools. She said that this information, which was funded by tax payers, needs to be shared with the legislators. She said that the recommendations are constructive moves and partial solutions and she agrees with them. She particularly liked the ANB averaging and health insurance. She would support an insurance pool. She said that to the extent that additional funding can be supplied through the formula will be a way to keep things fair and more equalized. She said that county tax equalization will help somewhat, though it is not truly equalizing. She said that the loan repayment for teacher recruitment and retention is something that the state needs to look at. She said that the state needs to look at the retirement system as well. Ms. Bloom said that it is also clear that the Council deferred looking at adequacy and that is still an issue. She said that with respect to CPI, there are limitations to that in comparison to the labor index. CPI understates the actual inflation in school costs.

**Suzette Dussault, Board of Trustees, Missoula County Public Schools**, said that she commends the recommendations put forth, especially ANB averaging, county equalization, and health insurance proposals. However, so many of the recommendations do shift the burden to the local property tax payer. She said that she would like the Committee to listen to the people and understand that education is a top priority. Missoula has always supported its schools. She said that our schools are in crisis because we are having to have large class sizes, cut services, and close schools. We need leadership from the governor and the legislature to make school funding a priority.

**Dan Sybrant, Superintendent of Schools, Corvallis**, said that districts in this area are not at \$4,500 per student more like \$3,800. He said that they ride the enrollment roller coaster. He said that they come from a district with low taxable valuation and are at 80 plus mills. This is an expensive area in which to live and low salaries do not attract teachers. He said that he commends the recommendations and it is all about revenue. He said that the challenge is what new revenue the state of Montana can bring in.

**Steve Gaub, Superintendent, Florence-Carlton School**, said that his district is unique because it is low in property value and high in income. We are a district at the base and have a hard time passing bond issues. He said that he likes a number of the recommendations including the county wide levy for insurance. He said that he has had a number of teachers turn down positions based upon salary. Benefits are also important. He asked the Committee to please look at the results of the adequacy study. He said that the recommendations are very good but are nothing more than bandaids.

**Karin Stanford, Lone Rock Education Association**, said that her concerns are that we keep trying to replace one tax or fee with another and we cannot keep trying to operate the state

revenue neutral. She said that it is not working. She said that cutting taxes over the last ten years only increases the burden on the property owner. She said that she is also bothered by the fact that when the legislature spends money, they are not taking care of the items that are most essential. The education system is the most essential thing we have.

**Tom Anderson, Teacher, Hamilton**, said that they have a 47% voter turn out and cannot pass a levy. He said that he doubts Hamilton will get above the 80% mark. He said that the state needs to take care of education properly. He said that student teachers are not staying in Montana. He said that we are tearing apart our educational system and we need to fund it first, not last.

**Tamis LaSalle, School Board Trustee, Hamilton**, said that Governor Martz talks about bringing business and industry to Montana. But we cannot offer educated employees, because we are not willing to spend the money on education. She said that we need to step up to the plate and fund education.

Ms. Winston said that she represents a group of parents that are very concerned about gifted education. She said that these children represent approximately 12% of the states' students, which is almost equivalent to the state's level of disabled students. She said that the state spent \$2.5 million on gifted education in 2000 and a small percentage of that was state money. She said that the state spent \$78 million in 2000 on disabled students. She said that we are looking at an incredible inequity in the way we are treating the future leaders of our country. Gifted education needs to be given the priority that it deserves.

**Seth Bloom, Corvallis**, said that his public school education in Montana adequately prepared him for the private, out-of-state college he now attends. When you cannot recruit good, new teachers, the quality of education is going to decrease. We need to increase teacher salaries. He said that he loves Montana, but he has no reason to come back after he completes his college education, because he does not want to raise his children in a place that does not support the schools or teachers. He said that unless we can change that, no one will invest in the state.

**Glenna Scott, Para-educator, Hamilton**, said that they are losing 8 para-educator positions, increasing the burden on teachers. She said that the situation is critical and the Council has only touched the tip of the iceberg. She said that we have classes where 11 out of 19 children have special needs. These are not special education children. She said that we need to fund education now and at the state level. She said that the message is being sent to the state is that state tax dollars will be put to better use funding education than increasing the tax burden on the local property owner. She said that her children are attending school out of state because it is cheaper to do so.

**Bill Goslin, Parent, Hamilton**, asked what mechanisms will be in place to assure that schools will be equally funded through county equalization. Mr. Hindoiien said that the equalization is for the BASE budget. He said that the two issues that are going on are equalizing the taxes and equalizing spending. Ms. Quinlan said that the question seems to be in reference to equalization of spending to limit disparities and adequacy, and we don't know yet what an adequate education looks like. Hopefully, the adequacy study will provide some answers. What we're hearing across the state is less emphasis on equity and more on adequacy. Rep. Facey

said that in reference to equal spending, there is a constitutional question that must be addressed and that is the issue of local control. Mr. Goslin said that our tax money goes to fund higher education in the state and then our teachers choose to work out of state. He said that we could also use more technology in the curriculum. He said that the state requirements of one counselor per 400 students means that the counselor is working with paper and not students. We are also falling short in vocational education. He said that the issues remain and will remain for some time to come. He said that in Ravalli county, he fails to see how county equalization is going to make a significant difference until we grapple with the adequacy issue. Mr. Goslin asked about the possibility of obtaining additional funding for an adequacy study. Rep. Anderson said that there is an adequacy study currently being done and funded by various school groups. Mr. Goslin asked if that study would result in litigation or how its recommendations would work. Sen. Glaser said that the legislature represents the citizens of Montana and as such, every legislator should be going there with the best interest of the state at heart. Sen. Glaser said that in education funding there is equity and adequacy and they are not necessarily the same which makes it difficult for the legislature and the people of Montana to do the right thing. Equity means every school, every district is the same and adequacy deals with individuals. Mr. Goslin said that this Council was charged with dealing with adequacy and equity. He said that adequacy issues should have been addressed by the Council and equity issues should be dealt with by the legislature. He also said he is generally pleased with the recommendations.

**Wayne Stanford, Stevensville Public School Board**, said that the recommendations are great. One of the concerns he has are with the built-in increases of 0.76%. He said that Stevensville energy costs are increasing at a higher rate than that. He said that health insurance rates have gone up significantly as well and the increases in funding presented in the recommendations will not begin to address this. He said that finding an additional funding source is absolutely necessary because it all falls on property taxes.

**Duane Lyons, Superintendent, Hamilton**, said that he likes all of the recommended changes. He said that one of the issues when you look at schools is how you compare one to another. He said that one idea is to look at the program offerings. He said that Hamilton school district does not meet the minimum accreditation standards. He said that a piece of the equity issue is that the 80% floor appears to be too low to meet those minimum standards. He said that one of the reasons that we have to do layoffs is because we decided to move off of the teacher salary offerings that we have. This year we increased our base salary from \$19,200 to \$19,800. We asked the voters for some additional money to fund that but they turned us down. We now have to cut program offerings to fund the difference in the base salary. He said that if they had \$255 more per student, then they would be able to meet the minimum accreditation standards.

**Arnie Polanchek, Stevensville**, said that the key to economic development is a sound educational system. Mr. Polanchek asked about the money that is currently in the general fund for health insurance if health insurance is moved out to a county levy. Mr. Hindoien said that the net effect would be to open room in the general fund. It would be up to each school district to decide what to do with that money. Mr. Polanchek asked if the ANB funding would be reduced. Mr. Hindoien said no.

**Gordon Friberg, Superintendent, Arlee**, said that one of the items that has not been mentioned is mental health care. He said that it seems as if mental health care, prisons, and education are competing for the same resources. He said that the message presented this evening is that we need more money to address all three of these issues. We need to focus on

the youth of our state.

**George Nolan, Retired Teacher, Stevensville**, said that education is the future of our economy. He asked the Committee to consider the level of funding presented to the legislature by Eric Fever and the suggestions made by Bob Brown and Linda McCulloch.

Ms. Bloom said that the equity discussed by the Montana Supreme Court is equity between similarly sized districts. She said that the decision also touched on the issue of adequacy. She also said that she has great confidence in the adequacy study being completed. She also said that she knows that no matter how valid the study is the outcome will be suspect because of who paid for it. She would like to have seen the state fund the adequacy study.

Ms. Stanford asked if it is true that the Council has been underfunded. Mr. Hindoen said that as with anything, you can do more with more.

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**Glenna Scott, Para-educator, Hamilton**, said that they are losing 8 para-educator positions, increasing the burden on teachers. She said that the situation is critical and the Council has only touched the tip of the iceberg. She said that we have classes where 11 out of 19 children have special needs. These are not special education children. She said that we need to fund education now and at the state level. She said that the message is being sent to the state is that state tax dollars will be put to better use funding education than increasing the tax burden on the local property owner. She said that her children are attending school out of state because it is cheaper to do so.

**Bill Goslin, Parent, Hamilton**, asked what mechanisms will be in place to assure that schools will be equally funded through county equalization. Mr. Hindoiien said that the equalization is for the BASE budget. He said that the two issues that are going on are equalizing the taxes and equalizing spending. Ms. Quinlan said that the question seems to be in reference to equalization of spending to limit disparities and adequacy, and we don't know yet what an adequate education looks like. Hopefully, the adequacy study will provide some answers. What we're hearing across the state is less emphasis on equity and more on adequacy. Rep. Facey

said that in reference to equal spending, there is a constitutional question that must be addressed and that is the issue of local control. Mr. Goslin said that our tax money goes to fund higher education in the state and then our teachers choose to work out of state. He said that we could also use more technology in the curriculum. He said that the state requirements of one counselor per 400 students means that the counselor is working with paper and not students. We are also falling short in vocational education. He said that the issues remain and will remain for some time to come. He said that in Ravalli county, he fails to see how county equalization is going to make a significant difference until we grapple with the adequacy issue. Mr. Goslin asked about the possibility of obtaining additional funding for an adequacy study. Rep. Anderson said that there is an adequacy study currently being done and funded by various school groups. Mr. Goslin asked if that study would result in litigation or how its recommendations would work. Sen. Glaser said that the legislature represents the citizens of Montana and as such, every legislator should be going there with the best interest of the state at heart. Sen. Glaser said that in education funding there is equity and adequacy and they are not necessarily the same which makes it difficult for the legislature and the people of Montana to do the right thing. Equity means every school, every district is the same and adequacy deals with individuals. Mr. Goslin said that this Council was charged with dealing with adequacy and equity. He said that adequacy issues should have been addressed by the Council and equity issues should be dealt with by the legislature. He also said he is generally pleased with the recommendations.

**Wayne Stanford, Stevensville Public School Board**, said that the recommendations are great. One of the concerns he has are with the built-in increases of 0.76%. He said that Stevensville energy costs are increasing at a higher rate than that. He said that health insurance rates have gone up significantly as well and the increases in funding presented in the recommendations will not begin to address this. He said that finding an additional funding source is absolutely necessary because it all falls on property taxes.

**Duane Lyons, Superintendent, Hamilton**, said that he likes all of the recommended changes. He said that one of the issues when you look at schools is how you compare one to another. He said that one idea is to look at the program offerings. He said that Hamilton school district does not meet the minimum accreditation standards. He said that a piece of the equity issue is that the 80% floor appears to be too low to meet those minimum standards. He said that one of the reasons that we have to do layoffs is because we decided to move off of the teacher salary offerings that we have. This year we increased our base salary from \$19,200 to \$19,800. We asked the voters for some additional money to fund that but they turned us down. We now have to cut program offerings to fund the difference in the base salary. He said that if they had \$255 more per student, then they would be able to meet the minimum accreditation standards.

**Arnie Polanchek, Stevensville**, said that the key to economic development is a sound educational system. Mr. Polanchek asked about the money that is currently in the general fund for health insurance if health insurance is moved out to a county levy. Mr. Hindoien said that the net effect would be to open room in the general fund. It would be up to each school district to decide what to do with that money. Mr. Polanchek asked if the ANB funding would be reduced. Mr. Hindoien said no.

**Gordon Friberg, Superintendent, Arlee**, said that one of the items that has not been mentioned is mental health care. He said that it seems as if mental health care, prisons, and education are competing for the same resources. He said that the message presented this evening is that we need more money to address all three of these issues. We need to focus on

the youth of our state.

**George Nolan, Retired Teacher, Stevensville**, said that education is the future of our economy. He asked the Committee to consider the level of funding presented to the legislature by Eric Fever and the suggestions made by Bob Brown and Linda McCulloch.

Ms. Bloom said that the equity discussed by the Montana Supreme Court is equity between similarly sized districts. She said that the decision also touched on the issue of adequacy. She also said that she has great confidence in the adequacy study being completed. She also said that she knows that no matter how valid the study is the outcome will be suspect because of who paid for it. She would like to have seen the state fund the adequacy study.

Ms. Stanford asked if it is true that the Council has been underfunded. Mr. Hindoen said that as with anything, you can do more with more.

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