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**GOVERNOR SCHWEITZER ISSUES GUIDANCE TO SCHOOL DISTRICTS  
REGARDING HB316 VETO AND INFLATION INCREASES**

Due to the actions of the free conference committee on Senate Bill 329, "Generally revise K12 laws", K-12 school funding was needlessly tied to House Bill 316, "Redistribute certain revenue and income". House Bill 316 has absolutely no relationship to K-12 funding. It is unfortunate that this bill was amended at the end of the legislative session, without a public hearing, and in a manner which holds Montana's schools hostage to a bad piece of public policy. As described by the Montana School Boards Association to their membership on Tuesday, May 3:

*"The insertion of this coordination clause late in the game by Representative John Esp was terrible public policy, as the revenue generated from metal mines and lodging in HB 316 had nothing to do with the amount of funding provided to schools under SB 329. Representative Esp held SB 329 hostage in conference committee until the Senate conceded to his demands for inclusion of this coordination clause. Given that the Legislature did not allow Governor Schweitzer to weigh in on HB 316 before they adjourned, the proper blame for the lost funding under SB 329 if HB 316 is vetoed rests with the Legislature generally and Representative Esp specifically."*

Given the fact that the legislature failed to submit over 100 bills to the Governor prior to adjournment, including SB 329, the Governor did not have the opportunity to amendatory veto this harmful provision which reduces the FY2013 BASE Aid inflation rate from 2.43% to 1.6% based on the passage and approval of HB 316. HB 316 was vetoed today and, therefore, the actions of the SB 329 free conference committee have come to fruition and the second year of the biennium BASE Aid inflation adjustment reverted back to 1.6%.

To address the reduction caused by the free conference committee and HB 316, Governor Schweitzer will submit to the 2013 legislative session "supplemental" legislation. This legislation will provide for the full funding of the 2.43% inflation in fiscal year 2013, totaling approximately \$4.6 million as funded in HB2. Further, the bill will provide general fund authority of approximately \$56.8 million now eliminated due to the questionable accounting switches also contained within HB 316 from Federal Mineral Royalties payments and the Guarantee Account provided for in MCA20-9-622.

This legislation will be separate and apart from the regular K-12 school funding bill which will contain the statutory inflation rates for fiscal years 2014 and 2015 provided for in MCA20-9-326.

In summary, the Governor is committed to assuring that our students continue to receive a world-class education and our schools remain whole. Districts should plan for the full 2.43% inflation provided for in MCA20-9-326 in fiscal year 2013 as this funding is part of the State's constitutional obligation to fund a quality public education.