MINUTES

MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By **CHAIRMAN DON RYAN**, on February 2, 2005 at 3:50 P.M., in Room 303 Capitol.

ROLL CALL

Members Present:
Sen. Don Ryan, Chairman (D)
Sen. Gregory D. Barkus (R)
Sen. Jerry W. Black (R)
Sen. Jim Elliott (D)
Sen. Kim Gillan (D)
Sen. Bob Hawks (D)
Sen. Sam Kitzenberg (R)
Sen. Jesse Laslovich (D)
Sen. Jeff Mangan (D)
Sen. Dan McGee (R)
Sen. Bob Story Jr. (R)

Members Excused: None.

Members Absent: None.

Staff Present: Connie Erickson, Legislative Branch
Lois O'Connor, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing & Date Posted: None.
Executive Action: None.

Continued Roundtable Discussion on School Funding

CONTINUED ROUNDTABLE DISCUSSION ON SCHOOL FUNDING

{Tape: 1; Side: A; Time Counter: 0.6}

SEN. DON RYAN commended the Committee's positive progress in understanding what it felt were problems in Montana schools and for its open and honest discussion at the January 31, 2005, meeting. Although the Committee is subject to open meeting laws, he wanted the Committee to not worry about how its discussions get sent to the public. The Committee took no actions; it just talked, which is an important, healthy part of the process. The problem legislators face when making a statement is how that statement may be misconstrued by someone. He felt that the Committee took heat from many e-mails referring to what it was doing. He felt that the Committee did nothing wrong only that it lacked an agenda. He believed that the agenda was "discussion"--to talk about problems and possible solutions to move forward.

SEN. BOB STORY agreed, stating that the Committee's meeting was the beginning of a discussion process. He felt that once the Committee decides which direction it wants to go, it can begin taking public input at that time. He added that the public input process is required by law, but it is only required before a decision is made. It is not required over the whole discussion process. **SEN. STORY** felt that **SEN. RYAN** took the right action in asking Committee members to express their concerns and ideas. As the process works and when the Committee gets to the public comment phase, it may find that some of its ideas may or may not be workable.

SEN. McGEE felt that the January 31, 2005, meeting was outstanding and the type of work he enjoyed doing. He believed that at the end of its work, there may be a number of issues that the whole Committee can agree on which is very encouraging and to the benefit of Montana's citizens. **SEN. McGEE** added that he was also concerned about how rapidly the Committee's brainstorming could be mischaracterized or reported as being a direction in which the Committee was going and putting members in the position of being castigated for it. The people have the right to listen and to contact the Committee, but the meeting was a roll-up-your-sleeves-and-brainstorm-it session.

In conclusion, **SEN. RYAN** said that with the Court decision, the Legislature must put every option on the table and ensure that what it does is in the best interest of Montana's children and the long-term success of its school districts.

SEN. BOB HAWKS said that groups the size of the Committee are an ideal size and very workable. However, there comes a point when

the Committee will have to make decisions. He suggested the use of an independent facilitator who takes the ideas and puts them on "white paper". The ideas will be reprocessed until a format is established.

{Tape: 1; Side: A; Time Counter: 10.5}

FURTHER COMMITTEE DISCUSSION ON SCHOOL FUNDING

Recapping the discussion from the January 31, 2005, meeting, **SEN. RYAN** said that the Committee discussed fixed and variable costs within a school district and how they relate. He suggested bringing someone in to identify fixed costs that do not change when students come in to and leave the districts.

SEN. McGEE suggested that people from a AA, A, B, and a rural, C school speak to the Committee on their perspectives related to infrastructure needs and fixed and variable costs.

SEN. STORY requested current information from **Jim Standaert, Senior Fiscal Analyst, Legislative Fiscal Division.** He said that if the Committee decides to start from "ground zero", it will need a fair amount of analysis.

{Tape: 1; Side: A; Time Counter: 14.1}

Mr. Standaert said that he has been working with both **SEN. RYAN** and **REPRESENTATIVE WILLIAM "BILL" GLASER** on several concepts, but he was much farther along with **REP. GLASER'S** ideas. **REP. GLASER'S** concepts are as follows:

First, a classroom concept that is general fund only. It does not review transportation, retirement, or other operating funds, only a building-a-classroom-budget-authority model. How do schools build their budget authority? The current basic entitlements and per-ANB entitlements would cease. There would be new entitlements--one for per-classroom, one for per-student, and one for administration. Per-classroom entitlement levels are high. Since there is no true count of the number of classrooms in the state, the concept is driven by the number of teachers. Every teacher is equal to one classroom entitlement which is spread throughout all the districts. This is an imperfect measure. Under the proposed concept, **Mr. Standaert** has information on the winning and losing school districts. The concept includes nothing about funding (i.e., how taxes will be rearranged to fund it).

Second, is to focus on the state share and add a local-budgeting authority on top of it. This concept includes a classroom entitlement for the state share, a per-ANB amount for the state

share, and an administration amount for the state share. This concept also reviews the accreditation standards. Current information shows how many students there are in each grade level, how many schools are multi-grade, how many one-teacher schools there are, and that the K-2 accreditation standards are one teacher per 20 students. This information is used to develop a classroom concept. Given the number of students in each grade level, the concept assigns a classroom to each unit from K-12, and the entitlements apply to each classroom unit along with the local budgeting authority. This becomes the state share. This figure is compared to what the state is currently doing to find the winning and losing districts.

Mr. Standaert said that to date, both concepts are primitive and are an attempt to find fixed and variable costs. When reviewing fixed and variable costs, time dimension must also be reviewed because a fixed cost is variable in the long run. The concept of a 3-year averaging of ANB was an attempt to slow down the reduction in budget authority as students leave the schools.

SEN. RYAN felt that the concepts were only taking current dollars and redistributing them a different way, and he did not think that it would satisfy the Court. He said that the Committee had to discuss and develop a model that included educationally relevant factors that answer the questions: (1) If a classroom entitlement is given, what are the educationally relevant factors that go into the cost of that classroom? or (2) If a per-student entitlement is given, why is that much money going to that student.

Mr. Standaert said that the final result of **REP. GLASER'S** concepts is not duplicating the current total budget authority. He derived the figures by reviewing what the current general fund is spending (i.e., $85,000 per classroom per high school and $70,000 per classroom for elementary). When the figure is applied to teachers, there is $93 million more budget authority statewide. Using the accreditation standards, the concept uses the same entitlement amounts resulting in a slight increase in the state share from what the state is currently spending.

SEN. BOB STORY said that the Committee's purpose is to find what formulas have already been developed to either manipulate them or review them to see if it wants to develop others. **Mr. Standaert** said that SB 152 lists four special populations, should they have entitlements and what should those entitlements be? There is a snapshot of what the entitlements should be but he is unsure of the amount of dollars that should be attached to special education or at-risk students or whether it should be a categorical program or a weighted average.

SEN. KIM GILLAN questioned whether there was merit in dovetailing the information that **Mr. Standaert** is generating with the budgeting information received from the AA, A, B, and C schools on a per classroom basis. **Mr. Standaert** said that any on-the-ground information from people who are actually doing the budgeting would be very helpful.

{Tape: 1; Side: A; Time Counter: 25.9}

SEN. RYAN said that during the debate on SB 152, one of the questions was would more revenue be put into the general fund in order to limit the number of funds that the state currently has. **Madalyn Quinlan, (OPI)** said that there are two types of funds, one represents the annual operations of a school district and one represents the long-term uses of funds for school districts. The operational or current expenditure funds relate to the general fund, the transportation and retirement funds, adult education, and the technology acquisition and school flexibility funds. The long-term expenditure funds are the building reserve and the bus depreciation and debt service funds. Most state would keep the two funds separate. Other budget pieces to review are budgeted funds where schools set an expenditure level and adopt a budget and nonbudgeted funds where expenditures are driven by the amount of revenue available in the fund. All funds received by school districts from the federal government would fall into this category.

Mr. Standaert said that a 2001 Governor's Advisory Council subcommittee looked at the issue of how the state could consolidate funds at the school district level. The recommendation stalled because it put the general fund, the transportation and retirement funds, and one other fund into a general operating fund, but there needed to be a new formula for the new fund. It never developed a new formula, and the idea was never picked up. The subcommittee reduced the 27 operating funds to 5.

SEN. RYAN said that if the Committee considers changing the number of funds, it must also change the taxing structures that create the different funds.

Ms. Quinlan said that OPI receives expenditure and revenue data and all budgeting information from schools at the end of the year. It knows the personnel assigned to every school district, what courses they are teaching based on a set of job codes, and their racial-ethnic backgrounds. It does not collect salary data. OPI could also provide student enrollments per district; the number of special education students per district; limited-

English proficient, migrant, and free-and-reduced-lunch eligible students, along with test scores among various subgroups of students.

SEN. BOB HAWKS asked if the proposed classroom concept included flexibility on teacher salaries. **Mr. Standaert** said not at the moment, but it could be a possible justification for the numbers used.

Committee members requested the following information: which schools had waivers in accreditation standards and the reasons for them; the number of students in specialized groups and how the number relates to classes; statewide data on the number of specialized programs; a copy of **REP. GLASER'S** concepts; .

SEN. RYAN also requested that **Steve Johnson, Business Officer, Bozeman School District** provide an update to the Committee on the 5-fund model and asked **Mr. Standaert** for enrollment information per district that included their ANB cost per student.

SEN. McGEE felt that the proposed classroom model would not accurately describe the arena of special education.

SEN. JEFF MANGAN said that he was concerned about putting too much emphasis on student numbers because of declining enrollment. He question whether a classroom or school could be weighted or if there may be other ways to manipulate data.

SEN. HAWKS said that there may be two different aspects of educationally relevant factors. One is the standard input into the educational process and output. He felt it essential that the Committee think of quality in and quality out. **SEN. RYAN** said that would be a local control issue and the local school board should determine how to get the best quality out of the funding that is given them. **SEN. HAWKS** said that once the practical side of dealing with schools is in place, the Committee has to face the reality of what is in the classroom. Every classroom has different needs, and it cannot be anticipated with input data for a standard school classroom. There should be a weighting factor on the inside of the classroom.

Ms. Quinlan suggested that **Bob Runkle, OPI**, provide an overview of his report on special education. The report includes the percentage of students identified for special needs and the extent to which they are served inside and outside of a regular classroom.

Ms. Erickson provided information on teacher salary data from MEA-MFT.

EXHIBIT(eds26a01)

ADJOURNMENT

Adjournment: 5:10 P.M.

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SEN. DON RYAN, Chairman

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LOIS O'CONNOR, Secretary

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Additional Exhibits:

EXHIBIT(eds26aad0.PDF)