MINUTES

MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION

JOINT SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By **CONNIE ERICKSON**, on February 14, 2005 at 8:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:
Sen. Don Ryan (D)
Sen. Bob Story Jr. (R)
Rep. Bill E. Glaser (R)
Rep. Holly Raser (D)

Members Excused: None.

Members Absent: None.

Staff Present: Connie Erickson, Legislative Branch
Eddye McClure, Legislative Branch
Jim Standaert, Legislative Branch
Lois O'Connor, Committee Secretary

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

Committee Business Summary:

Discussion on Education Funding.

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SUBCOMMITTEE DISCUSSION ON EDUCATION FUNDING

SEN. DON RYAN, SD 10, opened the meeting by asking Subcommittee members for their opinions on what meeting format would best fit their ultimate task and what information was needed from staff to accomplish that task.

SEN. RYAN wanted to create a working group atmosphere and communicate all ideas in an open and honest fashion, to work in both a nonpartisan and bipartisan fashion to put the state in a position that meets the needs of the school funding lawsuit, and to develop an education formula that can be defended in court.

SEN. ROBERT STORY, SD 30, questioned how the Subcommittee would operate mechanically (i.e., can the Subcommittee request legislation and, if not, what vehicle does it have to work with, and how does transmittal affect the Subcommittee). **REP. WILLIAM GLASER, HD 44,** said that if Legislative Leadership is agreeable, the Subcommittee needs to rid itself of as many legislative deadlines as possible. According to **Greg Petesch, Director of Legal Services, Legislative Services Division,** the Subcommittee has all of the rights and requirements of any other committee. He said that a transmittal agreement between House and Senate Leadership was the key to everything being done by the Subcommittee. **REP. HOLLY RASER, HD 98,** agreed.

Jim Standaert, Legislative Fiscal Division, asked if any legislation proposed by the Subcommittee would be a revenue bill since it would affect revenue. **REP. GLASER** said that he heard that Leadership was talking about making any proposed legislation an appropriations bill that is very specific to the Subcommittee's task. He felt that Leadership was going to give them a reasonably limited spread.

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Following a brief discussion with staff regarding whether legislation could be requested recognizing that suspension of the House and Senate rules was necessary, the Subcommittee agreed that a transmittal agreement between the House and the Senate Leadership was a must and that **SENATORS RYAN and STORY** would speak with Senate Leadership while **REPRESENTATIVES GLASER and RASER** would speak with House Leadership about guidelines that they would like the Subcommittee to work under.

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Subcommittee members discussed possible ideas and concepts to address the education funding formula and structure.

SEN. RYAN said that he and **REP. RASER** attended a National Council of State Legislatures (NCSL) forum on school finance. Its topic was how to fund the ABC components existing in every school district across the nation (i.e., administration, buildings, classrooms, and students). They reviewed past studies related to the numerous assortment of school funds and how to rearrange them to make more efficient use of the revenue and to decrease the number of funds flowing into schools. He felt that the Subcommittee should discuss those topics along with reviewing the Court's decision and the unequal distribution of the HB 124 block grant funds.

REP. GLASER said that he reviewed the reasons why the school funding lawsuit was brought forward and tried to understand the point of view of over 400 schools across the state. He found the following:

(1) From 1994 to 1999, schools received a reduction of money. No matter how much money the Legislature was politically able to put into schools from 1999 forward, it remained several million dollars short. At the 80% level of funding, the state should be at $684 million; it is currently at $630 million;
(2) The isolated, low-weighting schools are not receiving adequate funding to even hire basic teachers. There is not enough money for small schools to exist unless they are allowed to break the cap; and
(3) The state is currently funding schools at 62% of the total schedule or approximately 3/4 of 80%;

REP. GLASER said that as a result, the state was sued. In some ways, schools prevailed and in others ways they did not which is why the state is in its current quagmire of what is a basic system of quality schools. He added that **SEN. RYAN'S** proposal puts in $666 million in the first year and $671 million in the next year with $17 million remaining which is still below the imaginary line that the state should be creating that gets it back to the inflation adjustment for ANB decline.

REP. GLASER added that he requested that **Mr. Standaert** prepare a chart showing the imaginary line for inflation adjustment and ANB decline, **SEN. RYAN'S** current bill, and what needs to be done to reach that imaginary line in three or four years. He requested that staff distribute the chart to Subcommittee members and staff as soon as it was prepared.

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REP. GLASER continued by saying that small schools do not have the money to operate. Their bottom line problem could be solved by keeping more of the existing system and fund on low-end stop losses or by classroom units. Funding on classroom units will take time because it includes many numbers, it affects many schools differently, and there is a political aspect involved.

REP. RASER said that although historical data is very important, she understood that the Subcommittee was attempting to build a new school funding formula based on educationally relevant factors. She asked if it was going to review only this biennium's funding formula or was it going to attempt to build an as-close-as-we-can-get to a perfect funding formula.

SEN. STORY said that ideally, building a new formula would be the case. However, he was uncertain that it would be politically possible. He said that school districts and legislators are generally not big risk-takers. Creating a new funding formula and putting it in place would be asking them to walk the plank. He was also uncertain whether existing data bases were accurate enough to build a new formula; and even if they were, many circumstances exist across the state that are not reflected in the data. **SEN. STORY** added that the last two funding systems (HB 28 and HB 667) were new but not 180 degrees from the old funding formula. HB 28 was a precursor to HB 667. However, its flaw was that no one looked at the mathematics and understood that all school district budgets increased at 4% a year.

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REP. GLASER said that the Subcommittee had three choices, (1) study it, come to a conclusion, implement it, and see how the plaintiffs like it; (2) negotiate with the plaintiffs using logic, reason, politics, and the best current data available; or (3) a combination of the two. He added that the perfect school funding model will never be perfect. It will only be at 80% regardless. He felt it better if the Subcommittee be totally open about which combination of the three they wanted to use and that everyone's fingerprints, legislators as well as education stakeholders, be on the final decision or product.

In conclusion, **REP. GLASER** said that if the Subcommittee wanted to do something in the short term, it would be better to negotiate 75% to 80% and study the remaining 20% to 25%, particularly when it comes to Indian Education For All. The basic foundation of the problem with Indian Education For All is discrimination. The Legislature needs to understand that and move

forward on it with that knowledge. It will be unable to address the problem by negotiation or by bribing schools and Native Americans to hide their discriminatory practices.

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SEN. RYAN said that it was not the Subcommittee's job to weigh the merits of every education bill introduced during the Session, even though some of them may be part of the solution. Its focus should be to begin working on a new way to allocate money to schools that fits within the guidelines set by the Court's ruling. The solution may be as much as two years away. **SEN. RYAN** agreed that Indian Education For All was a discrimination problem, but the issue still needed to be addressed. He felt also that legislators needed to be risk-takers in some fashion because the problem was not going to be solved if legislators look only at their own districts and their next elections. If they do, they have bound themselves to failure. The Legislature needs to begin reviewing how schools are financed with the current tax revenue available for each district.

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Jack Copps, MEQC, said that the plaintiffs want a stable, meaningful, and self-executing education system that would reduce the possibility of returning to Court in the near or distant future. He said that the Court was less critical of the existing funding system only that it was not cost-based and did not rely on educationally relevant factors. The guarantee for schools is set at the 80% level so the constitutional expectations should be satisfied.

Mr. Copps added that large districts discussed what their districts would look like if they had to cut back from the 100% level to the 80% level. They saw no possibility that they could maintain what they considered to be a system of quality schools at the 80% level. He felt that the Subcommittee needed to be attentive to that aspect. He also felt that local districts should have options to increase funding beyond the 80% level and that consideration should be given to allow all districts to be on an equal playing field. GTB should be seriously considered from the 80% to the 100% level so that the poor district are not at a disadvantage.

In conclusion, **Mr. Copps** said that 80% to 90% of the money that schools spend is for personnel costs. Most importantly, the Legislature needs to ensure that whatever is done that all schools have access to quality teachers. The issue is not just about general fund but all funds. It is essential that a plan is

developed to ensure that all school districts have equality and equal access to all available revenue from all available funds. He said that the history in Montana as it relates to studies has been around a long time and it has studied everything to death. All that is done by engaging in another long-term study is to avert the need to address the problem as it exists. However, there is also a danger in deciding that a study is not necessary and just move forward with creating a new funding system based upon, once again, on regression analysis models. Whatever is decided from this time forward must be based upon educationally relevant factors.

Mr. Copps felt it proper to discuss what kind of teachers the state wants to hire, that all school districts have access to good teachers, and that attempts be made to negotiate and study the issue. The plaintiffs are willing to sit down in a constructive way and negotiate, but negotiation alone is not going to produce the type of system that schools want.

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SEN. RYAN said that New Mexico and Denver are working on the concept of a tiered licensure for teachers. If Montana gave more money to a district based on the level of teacher it hires, every district would have access to quality teachers. He also felt that the state would eliminate a lot of iniquity if it were to move its GTB to the top level to decrease rich and poor districts and fund schools first rather than districts.

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SEN. STORY said that access to quality teachers is salary driven. According to discussions, 70% of the teachers are leaving Montana for other states. He asked if there was specific documentation of this happening and is Montana competing against out-of-state teacher salaries or is it competing against in-state salaries for something other than education. **Mr. Copps** said that Montana needs to be competitive with other states are offering but it does not need to be above the average. However, Montana is at a great disadvantage in the market place if it continues to offer teacher salaries at the 48th, 49th, or 50th in the nation. **SEN. STORY** said that teachers could easily make $1,000 more going into northeastern Montana, yet it continues to have problems getting quality teachers. One of the problems that the state runs into no matter what is done is local bargaining agreements.

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Lance Melton, MTSBA, said that local bargaining agreements are issues that need to be addressed because they have limitations and will only give a teacher X-number of years coming in. He added that currently, northeast Montana does not have anything to do anything with. If the Legislature looks at its own history, it may be able to answer all of the questions. When he graduated from high school in 1982, Montana teacher salaries were 25th in the nation as was per capita income and per-pupil funding was 14th. Historically, people who came to Montana and joined the teaching profession did so in the late 1970s and early 1980s because of the compensation levels at the time. As the state's economic performance dwindled as did teacher salaries, those people were too vested in the system to go anywhere else.

Mr. Melton said that the Subcommittee should carefully review the national average because there are only 12 states in the nation that are meeting it. If the Subcommittee were able to correlate teacher salaries with per-pupil spending, it would see an increase in salaries without striving for an unrealistic pursuit in terms of national average.

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REP. GLASER said that the long-term solutions have more to do with studying the issues, going to the next Legislature, and negotiating with the plaintiffs. Whatever short-term solutions there are should go toward the long-term solution. As much as he would like the perfect system, he felt that whatever is done must be done incrementally. The only way to receive the knowledge needed to tackle the short term is to embrace the people who are picking up the responsibility to educate Montana's children. He added that short-term political issues must also be addressed.

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REP. RASER requested more discussion about what pieces are needed to mend the system, (i.e. what is wrong with the current system; a mechanism to recruit quality teachers; a mechanism for various facility needs; and discussions suggest that should schools be run like a business, and if so, what capital is needed).

Mr. Melton said that in talking about the basic system of quality schools and basing it on educationally relevant factors and reviewing SB 152, for example, his analysis shows that it imposes mandates on schools in every instance while others feel that it is a launching pad for new things. The Subcommittee could take a strong leadership role in ensuring that the entire Legislature

deliberates in an entirely different way when it imposes things on schools. He also felt it imperative that the Legislature deliberate on how the state share is being distributed by October 1, 2005. It is important to discuss what the state can do today, what can it do tomorrow, and how does it bridge the gap to avoid a disconnect.

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SEN. RYAN said the new funding formula must address the per-student entitlement and make it a smaller number and address fixed costs within the districts. He asked the Subcommittee members to give thought to if they had to write a funding formula that made sense, what would they propose, keeping in mind the staff's workload.

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Madalyn Quinlan, OPI, felt that it would be important for **Mr. Standaert; Amy Carlson, OBPP;** and herself to agree on which files will be used to collect the data for any analysis requested by the Subcommittee. She also felt that it would be beneficial for the Subcommittee to receive information from **Dori Nielson, OPI,** about the teacher labor market and be provided a presentation from **Joann Erickson** on the teacher education programs at the University System.

Darrel Rud, School Administrators of Montana (SAM) provided a brochure Who Will Staff Montana's Schools? The Retirement Dilemma for the Subcommittee's perusal. **Dr. Bruce Messinger** would also be available to address the Subcommittee to offer possible solutions.

EXHIBIT(jes36a01)

REP. GLASER asked that **Tom Bilodeaux, MEA-MFT,** be included in the statistical discussions while **Mr. Melton** offered the MTSBA's legal expertise on school law.

SEN. RYAN noted the importance of the statistical data used by the Subcommittee be given by the same source so it is not dealing with conflicting reports.

REP. GLASER said that the Subcommittee should not be interested in who the people are that it wants to serve but what they are. He felt it would avoid many of issues that it is dealing with because it changes the standards to take care of the needs of individual schools.

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SEN. STORY said that if a short-term funding option works through the system, the Subcommittee needs to have an idea of where it is going. He added that he has been on the Taxation Committee since he was first elected, and there are winners and losers no matter what is done. As a result, the state has to use its money to buy the losers which is the political reality of making changes. The Subcommittee needs to move the process enough to know which way it wants to go with the short-term fix. He believed that a system should be available and running in the second year of the biennium so that if it has flaws, the Legislature can fix it in the next session.

SEN. STORY cautioned the Subcommittee about talking about new programs like K-12 SHIP (School Health Insurance Program) and decide how much off of the track it wants to go to begin building K-12 SHIP into its system. It may be the issue that would derail the whole thing. If K-12 SHIP has no support and it is built into the new system of funding, it dooms the new system to failure.

SEN. RYAN suggested that Subcommittee members think about how it wants to manage the data and what it wants staff to do over transmittal break.

ADJOURNMENT

Adjournment: 9:50 A.M.

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LOIS O'CONNOR, Secretary

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Additional Exhibits:

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