**MINUTES**

**MONTANA SENATE**
**59th LEGISLATURE - REGULAR SESSION**

**JOINT SELECT COMMITTEE ON EDUCATION FUNDING**

**Call to Order:** By **CHAIRMAN DON RYAN**, on March 21, 2005 at 8:10 A.M., in Room 335 Capitol.

**ROLL CALL**

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

**Members Excused:** None.

**Members Absent:** None.

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

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

**Committee Business Summary:**

Discussion on Education Funding.

**SEN. ROBERT STORY, SD 30,** provided an overview of the March 16, 2005, working group discussions. He said that the Subcommittee has been working on a model that is classroom-driven versus putting so much weight on student numbers. On March 16, 2005, a working group, that included members of the school boards, the Office of Public Instruction (OPI), the Office of Budget and Program Planning (OBPP), and staff, met to further that model along. The working group was in agreement about when the first teacher would be added to the system, and it thoroughly discussed when a second or third teacher would be added to a classroom as student numbers increase as well as what happens when student numbers decrease. To get the Subcommittee to the point where it can make those basic decisions, it must be realized that 60% to 70% of the cost of the classroom model will be that part of the system. The Subcommittee has been struggling with those numbers. **SEN. STORY** hoped that once there is agreement and numbers on the basics, the accreditation standards would take care of the next level of instructional support.

***{Tape: 1; Side: A; Time Counter: 4.0}***

**SEN. DON RYAN, SD 10,** said that the Subcommittee is trying to develop a system that addresses the fixed costs of districts that remain the same as students enter and leave schools to decrease the weight on the per-student entitlement. The Subcommittee discussed a classroom or FTE entitlement that puts the teacher in the classroom. For example, if a school begins the year with 23 students and ends the year with 18 students, and those 18 students come back the following year, the school still needs the teacher. The Subcommittee is discussing how to develop a classroom model that prevents a teacher layoff when the revenue from the five students is gone, keeping in mind that the system will include other components that are not based solely on the classroom.

***{Tape: 1; Side: A; Time Counter: 6.1}***

**Dr. Bruce Messinger, Superintendent, Helena Public Schools**, said that when the state's adequacy study was conducted, a coalition of school officials and educators created prototype school districts and schools within districts and reviewed district sizes as well as the size of schools. Discussion surrounded the issues of what are the thresholds--where do so many students trigger another teacher, where does the size of school need certain administrative support, and when do sizes of districts trigger other types of needs. In the structural analysis, the dollar cost was left out of the discussion, and it focused on building thresholds. Participants of the study depended greatly upon the accreditation standards to do that. He provided a copy

of the report Personnel Requirements of K-12 Prototype Schools to Achieve Desired Results Given Specified School Characteristics related to small, moderate, large, and very large school districts. The adequacy study attempted to create a needs-based model for Montana's schools.

**EXHIBIT(jes62a01)**

**Dr. Messinger** stated further that the coalition worked with **John Meyers** to design a funding formula that would be responsive to the prototypes, i.e., how is the money distributed if certain things are the needs of schools. The discussion of funding was discontinued because the coalition felt that funding was premature. However, there are ways to package and distribute the money that would be sensitive to unique classroom and student issues. **Dr. Messinger** added that there could be great debate about the factors that are considered in designing the prototype schools, but at the same time, it is no mystery. It was his personal bias that there was no wrong or right way to distribute the money. He believed it had to be like a tax system in that there needed to be multiple ways to distribute the money.

***{Tape: 1; Side: A; Time Counter: 10.1}***

**Dr. Kirk Miller, Superintendent, Havre Public Schools,** reemphasized that the majority of the adequacy study was a study of needs from both input and output standpoints. Some input issues were critical for a basic education, but there were output issues that were also critical. At that time, "No Child Left Behind" (NCLB) was just coming on board and the coalition was using the Iowa Test of Basic Skills (ITBS) and the Iowa Comprehensive Test of Basic Skills (ICTBS) as the first-level test for measuring students. To get students proficient and advanced by 2013, the Coalition demonstrated where the scores in Montana are to date and where they need to be five years from now.

**Dr. Miller** added that the end product included BASE-cost items that were per-ANB associated and factors outlined that were added to the BASE cost, such as poverty, isolation, special needs students, and Indian Education For All (IEFA). He said that his personal bias would be to determine what type of needs assessment the state was going to conduct to really see what the needs are based upon what Montana wants for its children, and then scientifically develop a way to pull people together to determine the cost. In conclusion, **Dr. Miller** said that it was very important that everything be done in the right way to ensure that the end product would be immediately meaningful and include a built-in, long-term scenario of how the system would look five

years from now. He felt that if the process is done right, the state could have the balance of classroom, district-level costs, student-level costs, and fixed costs built into whatever the delivery mechanism might be.

***{Tape: 1; Side: A; Time Counter: 14.5}***

**Dr. Messinger** said that the adequacy study was limited in scope and time. However, he felt that the Subcommittee could take the judgments and information formed by the study and conduct a reality test on the prototype schools instead of beginning the process all over again. He said that the coalition tried to apply a sense of reasonableness, and it was fair to receive broader comments on the process to see if it represents Montana schools and further reflects the accreditation standards. He added that the design of the prototype schools and thresholds have remained about the same over time, but the costs associated with them are dated.

***{Tape: 1; Side: A; Time Counter: 18.8}***

**Rod Svee, Superintendent, Billings Public Schools,** said that if the Subcommittee used the prototype school models in conjunction with the accreditation standards, it could establish a model for all stakeholders to assess. He added that the Court decision wanted professional judgment, which the prototype study is, and a needs assessment of schools.

***{Tape: 1; Side: A; Time Counter: 22.5}***

**SEN. RYAN** asked if the adequacy study was conducted on a per-pupil basis. **Dr. Miller** said yes, because that is where the coalition's thought process was at the time. However, he knew of no reason why the Subcommittee could not take the prototype study and base it upon other multiple factors. **Dr. Messinger** added that the adequacy study is sensitive to all things related to schools except the cost of employees and how to attract and retain quality teachers. However, until it is known how many teachers, superintendents, or principals are needed in the system, there is no reason to worry about their cost or benefits, which is another part of the formula.

**SEN. RYAN** questioned how the fixed costs of schools would be addressed. Could it be done on a square-footage basis? **Dave Puyear, MT Rural Education Association (MREA),** said that his concern is that if the Subcommittee moves down the road that it is, before a needs assessment is conducted, the costs will be based on a system that has not worked. He felt that capital expenses and deferred maintenance is one of the next looming

problems in the schools. **SEN. RYAN** said that capital and deferred maintenance are different issues. He wants to get to the figure that schools pay every year for its structures--those fixed costs that cannot be set aside--and block it off.

**REP. HOLLY RASER, HD 98,** said that a needs-based assessment is the direction that the Subcommittee is going. She provided a further-revised copy of the four components of the proposed school funding structure.

**EXHIBIT(jes62a02)**

***{Tape: 1; Side: B; Time Counter: 2.0}***

**REP. RASER** asked stakeholders for further input on what needs-based items should fall under which column. **Mr. Puyear** said that although it was the Subcommittee's intention to have another fund to address capital and deferred maintenance, he felt that the direction of the Subcommittee's discussion was an analysis of Montana's current school system. He was also unsure whether school needs could be known until a thorough needs assessment is conducted. **REP. RASER** said the Subcommittee is thinking in broader generalities. It cannot think about every cleaning product or tool that schools use.

**Lynda Brannon, MT Association of School Board Administrators (MASBO),** believed that the discussion had to begin with the building first and what it takes to keep those doors open.

***{Tape: 1; Side: B; Time Counter: 6.7}***

**SEN. STORY** said that the Subcommittee is not to the point of looking at funding. It is looking at a mechanical formula. If the state is going to distribute some unknown amount of money into a system that will probably not change a whole lot, how does it get to a mechanical system that is workable that it can eventually move money through. In order to do that, it needs to know what the components of the different levels of schools are. Politically speaking, the Legislature will not close down a bunch of school districts nor will it require that districts put 20 students in a classroom. To date, the Subcommittee has made the decision that it will fund a certain amount per-student, that it will fund a classroom or FTE unit, that it will do some funding for support services, and that it will provide some funding for the school facility. If that assumption is unworkable, the Subcommittee needs to know so that it can discontinue working on it. However, if it is workable, then the Subcommittee needs to know how many students make up a classroom, how many classrooms

are needed before support services are required, and the approximate cost of keeping the building open.

***{Tape: 1; Side: B; Time Counter: 9.5}***

**Joan Anderson, Office of Public Instruction (OPI),** asked if the prototype study included considerations for federal program funds. **Dr. Messinger** said that federal programs were not a major influence on the study. Title 1 funding helps address the learning issues associated with poverty, but it does not come close to addressing all of the issues associated with poverty. He felt that if the education community and Legislature is going to do what is right for children, they will have to do something beyond what federal programming does because federal funds to states is decreasing. However, the study group was aware of the costs associated with poverty and special education. **Dr. Miller** added that the study group also reviewed the beginning requirements of NCLB by analyzing the current test and projecting what would happen five years down the road.

***{Tape: 1; Side: B; Time Counter: 13.4}***

**Madalyn Quinlan, (OPI),** asked if the study took into consideration the whole child and the whole need irrespective of the funding source and were the total amounts in the study to cover NCLB with no subtraction out because of federal money. **Dr. Messinger** said, yes, adding that the reality is that there is no money coming from the federal government to help with NCLB. Title 1 funding is not keeping up with inflation and other federal funding is not significant enough to help.

***{Tape: 1; Side: B; Time Counter: 14.3}***

**Jim Standaert, Legislative Fiscal Division (LFD),** asked if the Augenblick & Meyers study included more funding at the elementary level or the high school level in total increased costs. **Dr. Messinger** said that the model resulting from the study, by building, by classroom, or by student, there would need to be a balance of the funding distribution to enhance the elementary side of the prototype schools. Other studies have shown that Montana schools have consistently moved middle school dollars into elementary budgets.

**Paul Huber, Superintendent, Wolf Point Public Schools,** said that the poverty issue that he has in his district which is on the Fort Peck Reservation is fetal alcohol syndrome (FAS). According to the Individuals with Disabilities Education Act (IDEA) funding formula, the national average is $1,004. Montana is $600 short of the average. Montana also receives $870 per student for NCLB.

Without those two funding sources, Wolf Point Public Schools would be unable to stay open.

***{Tape: 1; Side: B; Time Counter: 17.3}***

**SEN. STORY** asked if the Subcommittee should consider funding an at-risk or special education student as a factor of a regular student or should schools identify all at-risk and special needs students and the state fund them. **Dr. Miller** said that those factors were driven based upon the school panels who analyzed poverty, special education, and other behavior management needs in the classroom and what types of things are necessary to provide the right kinds of services to at-risk youth to perform academically the way they need to in schools. To put a number to that, based upon all students, percentages were taken. For example, 30% of students within a certain realm are at-risk based upon behavior management and the need for different programs. A cost was put to making that happen and a 30% factor would be applied and distributed throughout the state. **Dr. Miller** added that the state could fund at-risk and special education students on a per-pupil basis, but the challenge with doing that statewide is that the at-risk population is constantly moving.

***{Tape: 1; Side: B; Time Counter: 21.3}***

**REP. RASER** asked about the possibility of having funds follow high-needs children and assume that each district has a certain percentage of mid-range needs. She asked for an explanation of how the study panel came up with the figures for school level costs for K-12 districts of different size--small, moderate, large, and very large districts (Table 10-A, B, and C of Exhibit #1). **Dr. Messinger** said that the panel attempted to capture what portion of the school population was identified for special education services on the average and what financial support would be necessary to address their needs.

***{Tape: 1; Side: B; Time Counter: 27.8}***

**REP. WILLIAM GLASER, HD 44,** said that it always concerned him when the discussion returned to funding on an average, whether it be special education, at-risk, gifted and talented, energy, transportation, or remodels. The current school system has three problems, (1) it funds on the average, (2) it funds on a per-student basis, and (3) it is on a starvation diet. He said the funding distribution should be based on needs.

***{Tape: 1; Side: B; Time Counter: 30.1}***

**REP. RASER** said that certain parts of the state have higher areas of poverty and more at-risk students for a variety of reasons. She asked if school demographics could be a multiplying factor in funding at-risk or special education students that are not based on the assumption that all schools have a specific number of those students. **Dr. Messinger** said that the study was an attempt to capture costs, and it was not designed to be a proposal on the distribution of funds.

***{Tape: 2; Side: A; Time Counter: 0.3}***

**REP. GLASER** said that the Augenblick & Meyers study was to identify the deficiencies of the funding system and to demonstrate that the money is not being distributed to the places where it needs to be. He was unsure whether that was the way that the Subcommittee needed to approach what it was doing. He felt that the Subcommittee needed to find a way to identify the educationally relevant, individual needs that are different from district to district and from classroom to classroom. How to get resources to the places where they are actually needed is the most important thing, not the price.

***{Tape: 2; Side: A; Time Counter: 5.1}***

**SEN. STORY** felt that the Subcommittee's goal was to find a funding distribution system that works no matter how much money the state puts into it and attempt to get away from funding on a per-student basis. **Mr. Svee** felt that the Subcommittee was attempting to construct a system based upon the things that it has identified in the definition bill and begin to build a structure and cost those out. He felt that doing it on a school basis--classroom to school--seems to be the most appropriate approach. Revenue and its distribution is another issue entirely, but it should be done on a school basis. He felt that the Subcommittee was on the right track in its process.

***{Tape: 2; Side: A; Time Counter: 13.2}***

Referring to Table 12 of Exhibit #1, **Mr. Standaert** asked if there was double counting among special education, at-risk, and Native American students related to the district level costs and total costs for K-12 districts. **Dr. Miller** said that those student categories were divided out to be separate issues and not considered one-third of a person in each one of the different school sizes. For example, if a student is American Indian who has poverty issues and is special education, all three factors would apply. There was no averaging. He added that the school-based panels identified teachers, classrooms, and students while the school-district panels factored in the fixed and central

office costs. However, the adequacy study did not take into account the issues of transportation, capital expenditures for facilities, or the recruitment and retention of teachers.

***{Tape: 2; Side: A; Time Counter: 17.7}***

**SEN. STORY** felt that the process was not a linear one until it gets into a fairly large district. **Dr. Messinger** said that there would have to be a cost analysis conducted to actually build a formula related to very small schools.

***{Tape: 2; Side: A; Time Counter: 21.5}***

**Ms. Anderson** asked about the goal of basing certain costs on a per-1,000 basis. **Dr. Messinger** said that some of the efficiencies in large schools are seen because of their ability to consistently cut the number of students in a classroom. The reality is that very small schools deal with that by multi-age groupings. The goal was to show what can be accomplished if there are 1,000 students proportionately in large districts. As larger districts see declining enrollment, their choice is to either close the school or look at what smaller schools have been doing for years. **Mr. Svee** added that the possibility exists to cost out any size school because the accreditation standards do that. The study is a reaction to those standards.

***{Tape: 2; Side: A; Time Counter: 24.5}***

**SEN. STORY** said that the Subcommittee's struggle with the proposed funding formula is when is it determined that a school goes from six classrooms to seven classrooms and does the state provide additional funding to do that because, in the end, that will drive the cost. **Mr. Svee** said that if the system is based on the school and the total costs are known, it is up to the school trustees to determine whether six or seven classrooms are needed. If they do it within the funding they get, it takes it off the legislative table. **Mr. Standaert** felt that would take the state back to an ANB system. From year to year, the state will be subject to the same thing unless there is a different formula that fixes the cost of FTE over a wide range of children. **Mr. Svee** said ANB is simply a funding distribution model, but that is the system that the state has.

***{Tape: 2; Side: A; Time Counter: 28.3}***

**Dr. Messinger's** opinion was that the state should not design a system that moves entirely away from the ANB system. He said that currently, the Helena School District is 99% dependent on the per-student, ANB system and a little dependent upon it per-

district. He suggested a funding model, for example, could be 10% district; 10% building; 10% classroom; and the remainder through per-student. By moving a greater percentage of funding into buildings, districts, and classrooms, the system will be less dependent on the fluctuating student size. He added that it may be worth the Subcommittee's time to review other successful models from other states that have very rural, isolated populations as well as larger communities.

***{Tape: 2; Side: B; Time Counter: 1.1}***

**Eric Feaver**, **MEA-MFT**, said that over the years, educators have attempted to put more money into elementary ANB because they recognized that there is a huge disparity between elementary and secondary ANB. There have been bills introduced that would provide full-day ANB for kindergarten, bills to take the basic entitlement and put it on a school basis, bills for more professional development, bills to have loan repayments for teachers in high demand, low supply areas, bills for signing bonuses for teachers, and bills for Teachers Retirement System (TRS) professional retirement options, among other things. All of those ideas made sense, and they did not necessarily destroy ANB. They were meant to adjust to factors that were beyond student enrollment. **Mr. Feaver** added that Montana schools would be better if the state recognized fixed costs, teacher recruitment and retention, and the accreditation standards and not just strip away ANB.

***{Tape: 2; Side: B; Time Counter: 5.7}***

**Mr. Svee** said that there is nothing wrong with the present distribution method except that it is underfunded. The issue is not distribution. The issue is the money going into the distribution system has never been tied to educationally relevant factors. He said that he would like a definition that can be costed out and proved.

**Mr. Feaver** added that an educationally relevant factor is professional development. Educators know that the state desperately underfunds professional development through salary structures and other things. Educators know that an educationally relevant factor is the recruitment and retention of professional persons to do their jobs. ANB funding does not do that. Without trying to reinvent the universe, there are obvious things that can be done to help the system. In conclusion, **Mr. Feaver** said that the final variable that every school district faces that they have no control over is the cost of health care. He questioned why the state would permit the continuation of such a

dysfunctional, expensive assault on the schools' abilities to budget.

***{Tape: 2; Side: B; Time Counter: 8.3}***

**Dr. Messinger** said that at a time of declining enrollment, the high dependence on ANB allocation does not work because it cripples small schools. The majority of Montana's school districts have declining enrollments not growing enrollments, and there is nothing to indicate that it will change in the next decade. The system must be adjusted in such a way that the money will maintain quality programs.

***{Tape: 2; Side: B; Time Counter: 12.4}***

**Dr. Miller** said that the Subcommittee is at the place of greatest opportunity. Havre's public school enrollment has declined 25% since his tenure as Superintendent. The latest challenge in his district has been a flat 43% increase in health insurance following a 22% increase last year. He recommended basing any formula on what currently exists across the state based upon a professional judgment model or a blend of different types of needs and then use that model to help develop a distribution mechanism. The state is at the nexus of what created the K-12 School Renewal Commission. He said that these issues are so complicated and involve so many opinions that unless it is looked at as a whole, the state is not likely to develop a meaningful solution.

**Dr. Miller** added that the one thing that has not been brought to the table is how to pay for the system. Unless there is significant tax reform and the new distribution mechanism is blended in with it based upon needs, the state is likely to alienate enough people along the way that it too will become unsuccessful. On its face, the work of the School Renewal Commission identified that if the state blended true property tax reform with other issues throughout the state, the playing field would be leveled to ensure that everyone is paying their fair share of taxes.

***{Tape: 2; Side: B; Time Counter: 19.2}***

**Mr. Feaver** said if it is that the state does not want to face the fact that it failed to fund schools in any type of adequate way, it will not matter what the discussions are. The state has an obligation to assume unto itself costs that school districts cannot meet. This should be another issues that should be addressed.

**SEN. STORY** asked what will change the health care issue if it becomes a state problem versus a local problem. **Mr. Feaver** said that the cost will be taken away from districts and it will begin to equalize the risk. **SEN. STORY** asked what impediments do school districts have to prevent health care pooling when they have local control. **Mr. Feaver** said that many insurance companies do not want to see a statewide insurance entity because it is in their best interests to serve 230 health care plans. The dynamics of controlled health care costs are not effective to any pool where people can come and go willy nilly because the risk cannot be spread across the entire pool.

***{Tape: 2; Side: B; Time Counter: 29.1}***

**Dr. Messinger** said that there is value in looking at real school districts of all sizes to see what works and what does not work. Although the lack of funding is part of the problem, a problem also is how the funding is distributed to schools.

The Subcommittee will meet March 22, 2005.

**ADJOURNMENT**

Adjournment: 10:00 A.M.

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SEN. DON RYAN, Chairman

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LOIS O'CONNOR, Secretary

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Additional Exhibits:

**EXHIBIT(jes62aad0.TIF)**