

Legislative (and other) Actions Related to the Findings and Recommendations of the 2015-2016 School Funding Interim Commission
 prepared for the 2025-25 School Funding Interim Commission by Pad McCracken, Commission staff, August 2025

The tables below summarize the findings and recommendations of the 2015-2016 School Funding Interim Commission (SFIC) and the responses to those findings and recommendations of the Montana Legislature (and other entities) since 2017. It may be worth reminding readers that the 2017 Legislature faced a significant budget shortfall, and the 2019 biennium saw significant cuts to many programs because of that.

Recruitment and Retention

2015 SFIC Finding/Rec	Legislative (and other) Actions 2017 through 2025
Revise QELAP to better target and reliably fund	<p>The Quality Educator Loan Assistance Program (QELAP) has been revised numerous times in recent years:</p> <ul style="list-style-type: none"> • In 2017, at the recommendation of the SFIC, HB 119 was enacted to target program eligibility at schools located a greater distance from population centers and provide increasing loan assistance the longer a teacher remained at an "impacted school"; funding priority (if funding was short) based on hard-to-fill content areas; <u>however, the program was not funded in the 2019 biennium</u> • In 2019, HB 211 tweaked the geographic criterion (to > 20 minutes from a city with more than 15,000 residents) and defined "critical quality educator shortage area" to be a content area in which a school struggled to fill an opening in the previous 3 years; funded at \$500K/year in the 2021 biennium and subsequent biennia • In 2023, at the request of the Education Interim Committee, SB 70 removed the content area requirement implemented in 2019 • The 2025 Legislature in HB 509 revised the loan assistance program to open the program to teachers in any district, but with funding prioritization if needed based on the geographic criterion described above. The legislature should continue to monitor the funding for this program.
Teacher preparation programs should encourage rural preservice experience	<p>The Montana University System and numerous partners have facilitated efforts in this regard since 2016, including the formation of the Montana Rural Educator Recruitment and Retention Task Force. In 2019, Montana State received a \$3.1 M grant from USED for a 5-year project "Addressing Rural Recruitment and Retention in Montana." In 2021, the OPI and the MUS established a Teacher Residency program using federal Covid-relief dollars; the 2023 Legislature replicated the program in statute and provided ongoing funds for the program in HB 833.</p>
The MUS should offer programs in rural locations to reach potential teaching candidates more likely to teach in rural schools.	<p>In addition to the efforts described above, the 2021 Legislature established a "Grow Your Own" program administered by the Montana University System focused on establishing pathways for students in rural and reservation K-12 schools to earn college credits while in high school and then continue their postsecondary studies in education closer to home.</p> <p>The program was not funded in the 2025 biennium, but the funding was restored by the 2025 Legislature in HB 499.</p>

K-12 Employee Health Benefits

2015 SFIC Finding/Rec	Legislative (and other) Actions 2017 through 2025
The topic of health benefits for school employees is complex, in flux, and requires in-depth study.	<p>A study bill creating a task force to examine this issue, SB 69, was rejected by the 2017 Legislature.</p> <p>The 2019 Legislature considered and rejected HB 235 which proposed incentivizing the creation of a large school district health insurance trust through a permissive mill levy.</p> <p>The 2021-2022 Education Interim Committee examined this issue and while not able to come to consensus on a committee proposal, was able to stimulate interest in finding a solution. HB 332 was enacted by the 2023 Legislature, providing \$40 million to seed reserves contingent on a school district health trust meeting various parameters being formed. If a qualifying trust is not formed by June 30, 2026, the \$40 million is transferred to the state capital developments long-range building program account.</p>

School Facilities

2015 SFIC Finding/Rec	Legislative (and other) Actions 2017 through 2025
State policy needs to encourage local effort and long-range planning in managing and maintaining school district facilities.	<p>The SFIC proposed four pieces of legislation to the 2017 Legislature related to school facilities, only one of which – a minor tweak to the INTERCAP loan program – was enacted. However, in that same session, SB 307 in conjunction with SB 260 and HB 647 accomplished much of what the SFIC drafts were after, including:</p> <ul style="list-style-type: none"> • Eliminating the unpopular Quality Schools Facility Grant Program • Creating a new state-subsidized, limited permissive levy within the school district building reserve fund to support Major Maintenance of school facilities, funded with a recreated "Natural Resource Development" payment and a new "School Facility Fund" within the Coal Tax Trust • Allowing excess revenue for Major Maintenance Aid to "spillover" to support Debt Service Assistance <p>This program was enhanced in 2025 by HB 515, which:</p> <ul style="list-style-type: none"> • Transferred about \$50 M to the School Facility Fund, bringing the fund balance to \$275 M • Increased the amount of major maintenance aid available from the state • Merged the Major Maintenance Account with the School Facility and Technology Account to eliminate the complicated spillover mechanism; Debt Service Assistance is funded only after Major Maintenance Aid is funded
Facility reimbursements (aka "Debt Service GTB" and now "Debt Service Assistance") have been underfunded since 2010.	<p>Funding for this program deteriorated further in the years following the 2015-16 SFIC with \$0 distributed to districts in FYs 2017 through 2020. Beginning in FY 2021, the spillover mentioned above helped to some degree, but actions of the 2023 Legislature (including HB 321 and appropriations in HB 2) <i>should</i> result in the Debt Service Assistance program being fully funded for the first time since 2010. The program costs about \$15 million to fully fund and results in a dollar-for-dollar property tax reduction in school districts receiving the assistance. The legislature should monitor this program and the revenue streams that support it to ensure continued full funding. See above for 2025 changes.</p>

Special Education and Special Needs

2015 SFIC Finding/Rec	Legislative (and other) Actions 2017 through 2025
<p>Flat state support for special education has led to greater local share of special education expenditures.</p> <p>AND</p> <p>Special education cooperatives are struggling to cover costs in providing basic services and state support has been flat.</p>	<p>The SFIC failed to settle on one proposal and ended up recommending three bill drafts with different proposals to address special education funding, none of which were enacted by the 2017 Legislature. All three increased the appropriation for the special education allowable cost payment, which at that time was simply a line-item appropriation in HB 2 that did not receive inflationary adjustments as other funding components did; two of the bills revised the distribution of the payment to direct additional funding to special education cooperatives.</p> <p>The 2019 Legislature considered but ultimately rejected HB 27, a recommendation of the 2017-2018 Education Interim Committee; the bill was similar to two of the SFIC proposals, but also added special education to the components that receive inflationary adjustments during the biennial budgeting process.</p> <p>The 2021 Legislature enacted HB 46 which incorporated the special education allowable cost payment into the BASE aid components and created a calculation for the payment based on both an inflationary adjustment and an enrollment adjustment. HB 46 was requested by the Legislative Finance Committee (LFC) following a study of special education funding conducted by a subcommittee of the LFC. Apart from providing for ongoing increases to the payment, HB 46 did not direct specific increases to special education cooperatives.</p> <p>The 2021 Legislature rejected HB 16 which was a recommendation of the Education Interim Committee aimed at clarifying that 3- and 4-year-old children with disabilities receiving special education services could be included in school district ANB counts, therefore triggering state funding for state-mandated services. This issue was further examined by the Education Interim Budget Committee during the 2021-2022 interim but was not resolved. The 2025 Legislature enacted HB 168 to address this issue.</p>
<p>Gifted and talented education has not been an educational priority.</p>	<p>The 2019 Legislature increased the annual appropriation for the Gifted and Talented Grant Program from \$250K/year to \$350K/year. The 2021 Legislature enacted SB 109 to clarify the requirement that school districts serve gifted and talented students. The 2025 Legislature maintained the \$350K/year appropriation for the grant program.</p>
<p>Study special education and special needs funding</p>	<p>An interim study resolution requested by the SFIC, HJ 1, was passed by the Legislature and conducted by the 2017-2018 Education Interim Committee; the committee's HJ 1 Report describes the additional funding mechanisms (or lack thereof) for the categories of special needs students described in 20-9-309:</p> <ul style="list-style-type: none"> • children with disabilities (funded through the special education allowable cost payment) • at-risk students (funded through the at-risk payment) • English learners (no state funding) • students on 504 plans (no state funding) • gifted and talented children (funded through the gifted and talented grant program) <p>The study led to the recommendation of HB 27 which was rejected by the 2019 Legislature as described above.</p> <p>The 2025 Legislature considered HB 361 to provide funding for English learners which was tabled in Senate Education.</p>

District Size, Structure, and Equity

2015 SFIC Finding/Rec	Legislative (and other) Actions 2017 through 2023
<p>Declining enrollment strains budgets; locally determined consolidation has happened and will continue to happen; sometimes geography and demographics require very small schools and districts to exist.</p>	<p>The 2023 Legislature enacted HB 203 to provide for more open enrollment between districts and require a student's district of residence to pay tuition to the district of choice. While not directly related to consolidation, the change may lead districts that have been "offloading" kids and costs onto neighboring districts to reexamine the financial implications of that behavior. The bill also requires reporting of out-of-district attendance for the first time.</p> <p>The 2025 Legislature also enacted HB 567 and HB 606 which modify district reorganization laws and multidistrict agreements.</p>
<p>Technology and remote learning are ways that robust educational opportunities can occur in small, isolated schools. The Montana Digital Academy (MTDA) is a natural vehicle for this.</p>	<p>In the 2015 session, just prior to the 2015-2016 SFIC, the legislature enacted HB 162 which allowed the MTDA governing board to institute charges to districts if needed. The Digital Academy did not institute charges until the Fall of 2021. The charge for original credit courses for the 2023-24 school year was \$123 per semester enrollment.</p> <p>Broadband access has been a perennial conversation, and in 2017 the legislature temporarily redirected a \$1 million a year technology payment from school districts to the Department of Commerce to leverage federal E-rate grants.</p> <p>The 2023 Legislature enacted HB 749 which modified the governing board of the MTDA and directed MTDA to create a "clearinghouse" model to expand the number of online courses and providers.</p> <p>The 2023 and 2025 Legislatures have revised the definitions of "remote learning" and "offsite instructional setting" to address various issues.</p> <p>The 2025 Legislature provided funding for MTDA to create the "Frontier Learning Lab" to foster technological innovation in education related to artificial intelligence and virtual reality.</p>
<p>Further study is needed on:</p> <ol style="list-style-type: none"> 1. what constitutes an "isolated and necessary school" and how such schools should be funded 2. ensuring unequal tax burdens do not impeded the "equality of educational opportunity" 	<p>Little attention has been given to "isolated and necessary schools" or their funding. These schools are generally funded in the same manner as similarly sized schools that are less isolated and arguably less necessary.</p> <p>More attention has been given to the continuing "evolution of equalization" for school funding. Some of the SFIC's work in this arena has been implemented, including:</p> <ul style="list-style-type: none"> • the elimination of disequalizing "block grants" as components of school funding in 2017 and the increase in BASE GTB in the years that followed • further refinements to the use of nonlevy revenue, especially oil and natural gas production taxes, also in 2017 • the "segregation" of the 95 mills in a new state special revenue account under HB 587 in the 2013 session and the use of future revenue increases from the 95 mills to enhance equalization programs like county school retirement GTB, major maintenance aid, and debt service assistance (modified by HB 483 in 2025) • The 2025 Legislature enacted HB 156 which will replace the existing <u>district</u> BASE levy with GTB support to a <u>countywide</u> BASE levy with GTB support (beginning in FY 2027).