



# School Funding Interim Commission

69th Montana Legislature

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TO: School Funding Interim Commission (SFIC)  
FROM: Pad McCracken, Commission Staff  
RE: Cost study considerations and possibilities  
DATE: September 12, 2025

While “Phase I” – the Innovation and Excellence in Education Working Group (IEEWG) effort – comes first for the 2025-2026 SFIC, the Commission’s foundational duty under 5-20-301(1)(a) remains:

*...conduct a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary schools.*

This requirement of the Commission mirrors the requirement of the Legislature as a whole under 20-9-309, MCA:

*(4) The legislature shall:*

*(a) determine the costs of providing the basic system of free quality public elementary and secondary schools;*

*(b) establish a funding formula that:*

*(i) is based on the definition of a basic system of free quality public elementary and secondary schools and reflects the costs associated with providing that system as determined in subsection (4)(a);*

Determining and periodically reassessing the costs of an elementary and secondary school system is typically achieved by what is known as an adequacy or cost study. At your August 14 meeting, Mike Griffith from the Learning Policy Institute walked through the [basics of these studies](#) (see slides 14-22), who typically conducts them, the methodologies employed, the time it takes, the cost range. Mr. Griffith also mentioned the possibility of hiring a consultant to advise a group of state school finance experts in conducting a cost study, basically conducting the study “in house” but under the guidance of a nationally recognized expert or firm. Considering the typical cost and time necessary for having an outside consulting firm conduct a study, the 2025-2026 SFIC likely has neither, especially with the additional duties related to the IEEWG.

It is worth noting a couple of things in this discussion.

First, the 2015-2016 SFIC did not conduct any sort of cost study. It was not provided the necessary appropriation to contract for one and instead decided to focus on exploring what seemed to be the areas of greatest concern with the funding formula at the time. I went over the [basics of the 2015-2016 SFIC](#) at your August 14 meeting.

Second, the 2005 QSIC contracted for an adequacy study, and the four methodologies used produced a wide range of increased funding requirements. Judge Sherlock questioned the scientific validity of these studies in 2008 when he noted that costing-out studies conducted in California produced estimates of required funding increases ranging from \$1.5 billion to \$1.5 trillion (see ¶48 of his [decision](#)).

So, while the law does suggest the need to conduct a full-blown cost study, there is some precedent and court guidance that *might* be seen as tempering that suggestion.

All that said, another very legitimate question is: has the Montana school funding formula ever been based on the actual costs of the school system? Based on reading numerous histories over the past decade plus, I'm not convinced it ever has. When the 2005 Legislature defined the system (codified at [20-9-309](#)), the session and post-session efforts to devise a new formula based on the new definition and informed by a cost study were heroic, but in the end, the new funding components and other investments made during the December 2005 Special Session, while linked to the new definition, were add-ons that reflected political and budgetary feasibility.

You, the 2025-2026 Commission, will need to decide what to do with all of this, but I think Mr. Griffith's suggestion provides one viable route: conducting some semblance of a cost study in house by the Legislative Fiscal Division in consultation with OPI and OBPP, but under the expert guidance of a nationally recognized consultant, selected through a competitive RFP process.

Because the IEEWG may ultimately make recommendations for modifications of the system itself, a cost study of this 2025-2026 SFIC may need to focus not simply on whether our current funding formula is sufficient for our current school system, but whether the current funding formula is *aligned to* the school system envisioned for the future.

There is an additional rationale for this approach. Section 17 of House Bill No. 252 (Jones, 2025; aka the STARS Act) requires the Legislative Fiscal Analyst to develop a publicly available school funding data dashboard that includes a number of required data measures, including ones as complex as measuring the equity of the funding formula. A consultant hired to provide guidance on a cost study, could also provide guidance on the development of this dashboard.

There are time and money constraints in pursuing this approach.

First money. This Commission is funded through a \$332,000 appropriation to the Legislative Services Division. Of that appropriation, \$150,000 was intended to fund contracted services (like a cost study, but then with HB 153, also the IEEWG work) and the remaining \$182,000 for operating and meeting expenses (mostly salary and travel reimbursements for members). We have contracted with NCEE for the IEEWG work at \$120,000. That leaves \$30,000 of the \$150,000 intended for contracted services. We have also set a meeting schedule for the Commission with *estimated* costs of \$140,000. We will know more about how close our cost estimates are after this Sept 15-16 meeting, but there *may* be some additional money available for a consultant from the \$182,000 intended for meeting expenses.

Time. If the Commission is interested in contracting with an advising consultant as described in this memo, it would be ideal to have that consultant on board as soon as possible. We all know more about the RFP process than we did several months ago. It takes some time. If the Commission is interested in pursuing this approach, staff could prepare a scope of work (similar to what is described in this memo) and perhaps a draft RFP for your review and consideration at the October 14-15 meeting. If the Commission determined to proceed, staff would work again with the Department of Administration to prepare an RFP and solicit proposals and select a consultant. I am confident that if the Commission wants to pursue this approach, we could have a consultant on board by the first of the year and ready to support our Phase II work.