



Education and Local Government Interim Committee

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

57th Montana Legislature

SENATE MEMBERS

EDWARD B. "ED" BUTCHER
ALVIN A. ELLIS JR.
WM. E. "BILL" GLASER
LINDA J. NELSON
DON RYAN
DEBBIE SHEA

HOUSE MEMBERS

JOAN ANDERSEN
GARY BRANAE
TOM FACEY
JEFF MANGAN
GAY ANN MASOLO
ART PETERSON

COMMITTEE STAFF

CONNIE ERICKSON
RESEARCH ANALYST
EDDYE McCLURE
STAFF ATTORNEY
PAM JOEHLER
FISCAL ANALYST

October 3, 2001

MINUTES

Room 137
State Capitol
Helena, Montana

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.
Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents per page for copies of documents.

COMMITTEE MEMBERS PRESENT

Rep. Joan Andersen, Vice-chair
Rep. Gary Branae
Rep. Tom Facey
Rep. Jeff Mangan
Rep. Gay Ann Masolo
Rep. Art Peterson
Sen. William "Bill" Glaser
Sen. Debbie Shea

COMMITTEE MEMBERS EXCUSED

Sen. Edward "Ed" Butcher
Sen. Alvin A. Ellis, Jr.
Sen. Linda J. Nelson
Sen. Don Ryan

STAFF PRESENT

Connie Erickson, Research Analyst
Eddy McClure, Attorney
Miko Owa, Secretary

VISITORS & AGENDA

Visitors' list (ATTACHMENT #1)
Agenda (ATTACHMENT #2)

CALL TO ORDER AND ROLL CALL

Rep. Andersen called the meeting to order at 8:45 a.m.

Roll call was taken. All Committee members were present except for Sen. Butcher, Sen. Ellis, Sen. Nelson, and Sen. Ryan who were excused (ATTACHMENT #3).

BOARD OF REGENTS

Margie Thompson, Chairwoman of the Board of Regents, provided an update on tuition increases (EXHIBIT #1). Ms. Thompson stated that parents and students both value the quality of education over the increases in tuition. In addition, students will have better access to classes due to the increase in tuition.

Ed Jasmin, Vice Chairman of the Board of Regents, reviewed the mission, vision and goals of the Montana University System (EXHIBIT #2). More specifically, he spoke of the necessity for academic freedom, maintaining high quality faculty, and coordinating activities between campuses. Mr. Jasmin also spoke of restructuring curriculum to provide courses on the Internet as well. Mr. Jasmin assured the Committee that the Board is looking at everything they can to help foster economic development in the state. As an example, Mr. Jasmin cited the \$153 million in research dollars received from the federal government which allows the University System to purchase equipment, hire staff and provide employment to students.

Rep. Facey asked if the cost of maintaining buildings is increasing or decreasing and what is the current status of infrastructure. Mr. Jasmin responded that the government has provided a certain dollar amount, but deferred maintenance is still a problem. Private contributions to build new facilities now include a certain amount of funds for maintenance. Ms. Thompson added that they have asked campuses to set aside approximately 13% of their budget for maintenance.

Rep. Peterson asked what the current status is regarding campus enrollment. Ms. Thompson responded that despite increases in tuition, the University System is still on target for an approximate 1% increase. **Commissioner Crofts** added that staff and faculty members have been recruiting students. Mr. Jasmin responded that they are now looking at retention of students.

Rep. Masolo inquired as to how much time professors are required to spend in the classroom. Commissioner Crofts stated that it varies, but very few classes are taught exclusively by teaching assistants. He continued to state that a contributing factor to the amount of time a professor spends in the classroom is the amount of research responsibilities held. Rep. Masolo then asked the Board to review the amount paid to the classroom teacher who supervises a student teacher. Rep. Masolo continued her comments stating that students are still experiencing difficulty transferring credits from college to college. Mr. Jasmin responded that they are still working on this issue, but feels the campus catalog needs to clarify the credits that are transferable. Ms. Thompson responded that the problems she encounters are not in reference to core credits, but specialized courses. Ms. Thompson continued that the Board is encouraging all campuses to work together to alleviate the problem. Rep. Masolo then asked if students are able to finish in four years. Mr. Jasmin responded that they are monitoring this

situation. Currently, the Missoula campus offers a guaranteed four year program. If the student does not finish in four years, the University will reimburse the additional year of tuition.

Sen. Shea asked about out of state students, differences in tuition, scholarships available, and retention of graduates in Montana. Ms. Thompson responded that out of state students accounted for \$96 million dollars in revenue. Currently the tuition is approximately 109% of resident tuition. Ms. Thompson continued to state that there are no Montana tax dollars that fund out of state students, but she was unable to answer with respect to scholarships. Mr. Jasmin added that there are 6400 out of state students on campuses now, which increases revenue as well as diversity.

Rep. Branae asked the Board how they attract qualified professionals. Mr. Jasmin responded that the biggest problem they face is the lack of funds to attract quality professors and administration. Rep. Branae asked how long they retain new recruits. Commissioner Crofts responded that once they are employed, they are usually retained for long periods.

Rep. Mangan asked about energy cost increases that the universities have seen and what contracts campuses have with suppliers. Commissioner Crofts responded that most campuses are under contract until next summer. The only problem they are having is with the natural gas supplier in Billings. Commissioner Crofts continued that there were only modest inflationary increases put in the legislative budget to cover energy cost increases. Rep. Mangan asked how the university system plans to lower utility costs by next summer and if the Board is currently negotiating with companies. Commissioner Crofts responded that they will stay with the same coverage although there is some possibility for larger campuses to generate some of their own electricity. For the biennium that ended in June, they are looking at a \$6 million to \$8 million dollar deficit. This will continue even if the prices do not go up next summer. Rep. Mangan then asked what campuses are doing to increase security and how are campuses dealing with Muslim students. Commissioner Crofts responded that there is increased security at large gatherings, primarily football games. He continued that each campus made contact with every Arab student to assure their safety. There has been no instances of violence toward the international students. Rep. Mangan asked if there has been an increase in hate crimes or Muslim violence and if students had a place to report potential crimes without fear of recrimination. Ms. Thompson responded that such a system had been in place prior to September 11.

Rep. Facey asked how the new dental hygienist program was progressing. In addition, he continued to comment on the lack of student housing in Missoula and would like the Board to look into it.

Rep. Andersen asked about the advanced placement classes being offered and if there was an increased number of students entering the college system with college experience. Ms. Thompson responded that there are a number of students who have taken advanced placement programs. In reference to actual numbers, Commissioner Crofts stated that the numbers are increasing and students are able to take exams to place them into higher level college courses. He continued to state that access to advanced placement courses is difficult in smaller schools. Several campuses have initiated programs that are patterned after the running start program of Washington. This program allows seniors to take college level courses for credit. In addition, campus academic advisors are aware that 30 or more core hours will be available on the

Internet. Commissioner Crofts stated that one of the concerns with advanced placement courses is the quality of the courses. Rep. Andersen continued to ask if the colleges are providing any specialized training for teachers who would like to teach advanced placement courses. Commissioner Crofts did not know, but will follow up on that question.

ADOPTION OF MINUTES

Sen. Shea moved that the minutes from the August 1, 2001 meeting be adopted. Rep. Peterson seconded the motion. The motion passed unanimously.

JAPANESE EDUCATION

Rep. Facey gave a presentation on Japanese education (EXHIBIT #3) where the following was noted:

- For every teaching position open, there are three applicants.
- Schools enforce a greater sense of community and cooperation.
- There is uniformity in both curriculum and infrastructure.
- Testing determines educational direction.

ADOPTION OF STUDY PLAN

Connie Erickson, Research Analyst, LSD, Ms. Erickson presented the study plan to the Committee (EXHIBIT #4) and commented that the Committee chose not to create a sub-committee regarding territory transfers. Ms. Erickson feels the change in the school funding structure may have an effect on territory transfers. However, because of the Supreme Court case there is currently no mechanism to facilitate territory transfers and there needs to be some discussion of how they should be handled. The basic proposal is to take the items in the resolution, review the questions, and provide options. Ms. Erickson asked the Committee if they would like to invite interested parties to the November 2 meeting to present their ideas to the Committee. She specified that this would not be a hearing on the bill, but specific ideas on how to construct a law.

Eddye McClure, Attorney, LSD, suggested that we present the questions to the interested person and allow the interested person to go through a Committee member if they have suggestions regarding transferring property from one district to another.

Rep. Andersen asked if it would be feasible to elicit written responses instead. Ms. Erickson responded affirmatively.

Ms. McClure stated that the responsibility of the Committee regarding territory transfers is to create a uniform method that will also satisfy the Supreme Court. In doing so, Ms. McClure and Ms. Erickson will provide the Committee with all options available to them for the decision making process.

Rep. Peterson asked if there were comparable situations in other states. Ms. Erickson commented that she is reviewing that information.

After much discussion, Rep. Mangan moved to adopt the study plan as presented by staff, including soliciting written responses from the public and agencies. Rep. Masolo seconded the motion. The motion passed unanimously.

Rep. Peterson moved to add discussion about a post secondary subcommittee to the November agenda. Rep. Branae seconded the motion. The motion passed unanimously.

Rep. Mangan asked if there would be fifteen minutes set aside for Committee members to present issues. Ms. McClure responded that would be made available.

Rep. Mangan continued to present the county compensation issue and stated he would like staff to review the issue. Ms. McClure responded that she was aware of the issue. Rep. Andersen stated that the issue will appear on the next agenda.

Rep. Mangan asked if the Committee will be receiving reports and minutes from the Governor's Office. Ms. McClure responded that the Committee will be provided with the minutes as well as additional information.

JOINT MEETING OF THE EDUCATION AND LOCAL GOVERNMENT COMMITTEE AND THE PUBLIC SCHOOL FUNDING ADVISORY COUNCIL

The Committee reconvened in Room 317 of the Capitol to hold a joint meeting with the Public School Funding Advisory Council. The purpose of the joint meeting was to hear a presentation on school funding by **Michael Griffith of the Education Commission of the States** and **John Augenblick of Augenblick and Meyers**.

Mr. Griffith reviewed the material to be covered (EXHIBIT #5).

Mr. Augenblick provided a broad background of education funding around the country. Mr. Augenblick reviewed the following trends in school finance:

- ? Public school revenues did not increase as rapidly in the 1990's as they had in the previous two decades.
- ? The call for accountability in education --and the need to link revenue, or at least new revenue, to school improvement and pupil performance --is growing. A response to this demand will be necessary before new revenues, above enrollment growth and inflation, are likely to be provided.
- ? School finance systems are becoming more equitable. They are much more sensitive to wealth disparities and to the varied cost pressures faced by different school districts.
- ? The new targets of litigation are adequacy in support of current operating expenditures and the state role in paying for facilities.
- ? Systems are expanding the use of "foundation" type systems and examining new approaches to developing the foundation level, or base cost, required by such

systems.

- ? States are creating "second tiers" to provide districts with an equalized opportunity to generate funds above the adjusted base.
- ? States are using strong measures, such as capping local revenues or statewide property taxes, to assure revenue equity.
- ? States are examining the use of performance-based fiscal incentives.
- ? Some states are evaluating their school finance systems more formally.
- ? There seems to be a growing interest in modifying the way teachers are paid.

Madalyn Quinlan, Chief of Staff, Office of Public Instruction, asked if the power equalization approach is used in reference to second tiers. Mr. Augenblick responded negatively; however, there is a matching funds approach.

Sen. Shea asked about the Office of Education Accountability in Kentucky and asked Mr. Augenblick to expand on their duties. Mr. Augenblick responded that the office reviews a wide range of issues as well as measuring equity distribution. They are an enforcement bureau, to assure that money is appropriated correctly and that teachers are qualified. They also have analysis capabilities as well. Sen. Shea continued to ask for statistics regarding states which rely on extractive industries and their availability of funds. Mr. Augenblick responded that there is a profound effect occurring, but he does not have statistics.

Rachel Vielleux, Missoula County Superintendent of Schools, asked what the performance measures were in Jefferson County, Colorado. Mr. Augenblick responded that the state has created a criterion referenced test which is applied to everyone. There are no standards associated with this test.

Kirk Miller, Chairman, Board of Public Education, asked Mr. Augenblick if he had any idea about the establishment of that criterion reference test, how it is paid for and how much it costs. Mr. Augenblick did not know. Mr. Griffith responded that the state does pay for it, but he is unaware of the exact cost. Mr. Augenblick also commented that most states are paying for the development of tests but not necessarily administration.

Rep. Facey asked if the concept of having teachers salaries based upon their knowledge is being removed from discussion because teachers are becoming so experienced that they can no longer afford it. Mr. Augenblick responded that one state used this salary scale as a test case, but because of budget restraints they were unable to implement the program. Mr. Griffith added that the state was going to take the current teacher salary structure and add to this the pay for performance aspect which increased costs.

Sen. Glaser asked about performance based fiscal incentive rewards. Mr. Augenblick clarified that certain states provide a lump sum of money to the school to be spent in any way the school sees fit if the school performs well on state exams. Sen. Glaser continued to ask if states reward the school district based upon the preparedness of the student body. Mr. Augenblick

stated that this did not apply to his previous example because his example is based upon growth. Those school districts that perform high to start with have the most difficult time because they need to have continued growth. Mr. Griffith referenced the ECS State Notes publication regarding rewards and sanctions for schools (EXHIBIT #6). Sen. Glaser expressed concern that funds would not be going to areas where the child is less prepared for school.

Sen. Glaser asked how other communities are handling the financial burden. Mr. Augenblick responded that Kansas had a similar situation to Montana, where school districts must spend to a certain level and can't spend beyond that level. To recognize that there are different costs in different places, pupil weights are used. Pupil weights identify characteristics that the state believes increases cost pressures on school districts and then the state provides more money if the school district has that characteristic.

Mr. Augenblick then continued on to cover the Outline of Issues to be discussed in Montana which addressed:

- Alternative approaches the states take to deal with the fiscal impact of declining enrollment. Mr. Augenblick expanded on this topic by reviewing a summary of how states address declining enrollment (EXHIBIT #7).
- Ways to adjust state aid to rural schools to reflect uncontrollable costs.
- Pupil weights - Mr. Augenblick provided and reviewed a hand out on special education funding and pupil weights (EXHIBIT #8).

Mr. Augenblick expanded on the topic of pupil weights to state that there is no need to use pupil weights if the proportion of children with a particular cost pressure are equal across districts. In addition, pupil weights provided a flexible way to fund new programs. States use weights to reflect the added cost of any service or any program that is either believed to have a higher cost or has been shown to have a higher cost. States use pupil weights to get money to places where it will have an impact.

Dennis Burr, Council Public Member, asked in states where a certain range of funds must be maintained, does the usage of pupil weights move school districts out of this range. Mr. Augenblick responded that states are no longer concerned about the range per child, but the range per weighted child. Legally, as long as the school district can justify differences based upon the needs of the children, then the school district is correct.

Ms. Quinlan asked how much census data is used to determine rural school districts. Mr. Augenblick did not know. Mr. Griffith responded that they have been running into definitions of rural where the area is sparsely populated. Unfortunately, this would apply to a large number of school districts in Montana. Usually the state will use their own data rather than census data.

Sen. Glaser asked if Mr. Augenblick, when talking about pupil weight formulas, was speaking specifically of the school or the school district. Mr. Glaser continued to ask if Mr. Augenblick was referring to schools, what incentive is there to maintain the relative size of the school. Mr. Augenblick responded that most states are referring to school districts, but there are exceptions. When a school district receives money based upon pupil weights, school districts are insuring

that the money follows the student and therefore goes to the school that needs it. Mr. Griffith cited a case in Los Angeles where the school sued the school district because they were not receiving the funds they needed. Mr. Augenblick commented that if the school districts are not taking the money they receive from the states and allocating it to the schools on the basis of their needs, then that creates legal concerns. Certain cities are establishing formulas on how to allocate money to the schools. Sen. Glaser asked when determining pupil weights is most of the weighting based upon income per child. Mr. Augenblick responded that the majority of pupil weights are not determined by income. The at-risk pupil weight is the only weight based upon income. Mr. Griffith added that some states do use testing to determine weights, but if that is done, then it is used in a mix. Mr. Augenblick provided the Committee with a document reviewing funding for at-risk students (EXHIBIT #9) and a document reviewing funding for students with limited English proficiency (EXHIBIT #10). Mr. Augenblick reviewed Exhibit #9 for the Committee. He then continued to state that when states give money on the basis of pupil weights, the states are not going to tell the districts how to spend the money. To avoid this, states have separate programs that don't use pupil weights.

Rep. Mangan asked if states that utilize pupil weights are successful and if there was a state which utilizes a different system that is working based upon limited finance. Mr. Augenblick stated that Colorado would fit the profile as it is a state in which the increase in revenue is relatively low, but uses pupil weights. Therefore, it takes what money is provided and allocates it appropriately. However, Mr. Augenblick continued to state that does not mean the system is adequately funded. Rep. Mangan continued to ask if there will always be some type of revenue increase due to Amendment 23 unless there is a substantial decline in enrollment. Mr. Augenblick responded that at this point there would have to be a 4% increase to negate a 3% CPI +1. Rep. Mangan then stated that that didn't happen prior to November 23. They got a base somewhere around the \$4305, applied maybe a weight or two and we'll ask the districts to work with what they got. Mr. Augenblick responded that they are actually dealing with an increase, so the increase is on the order of 6%. Mr. Augenblick continued that when the time comes where there is a sufficient decline in growth of the state where there would be a negative impact, then people may want to change this. Mr. Griffith then added that in Colorado, the money was there for this program. If the revenue decreases, then the question is where does the money come from. Mr. Augenblick stated that Colorado may be facing this scenario soon as the state just went from a surplus of funds to a deficit.

Rep. Facey asked if the amount of money available to spend is determined first or if the formula for the amount of money needed is determined first. Mr. Augenblick responded that the trend is away from residual budgeting, determining formulas based on the amount of money you have, which was found to be unconstitutional in Ohio. A more rational system is investigating how much money will be needed to accomplish the goals of the state and then find a way to fund the program.

Rep. Masolo asked if assigning weights of 2.5 to special education leads to an increase in the number of special education students in that area. Mr. Augenblick responded that that has never been shown, but obviously that is an argument that has been made. The requirements to categorize a child are rather stringent. Where people become nervous is when weights are similar, such as 1.4 to 1.8, then you have an issue where people may mis-classify. There has been no proof that such a thing has happened. Some states take a census based approach which assumes that a certain percentage of special education children is exactly the same

across the states. Mr. Griffith responded that due to the high cost of special education students, some states treat them as a separate program.

Rep. Andersen asked if the weight for low income children is referring specifically to state funds and not Title I funds which come from the federal government. Would there be initial funding coming to certain districts? Mr. Augenblick responded that most of the states that are doing this are doing so symbolically because they don't really know the cost associated with a low income child. He continued to state that many of the weights for low income children are very low, so in those circumstances, Title I is used in addition to state funds. In Maryland, they are looking to increase the weight for low income children to a rather large number and in this case, they will deduct the Title I funding from the money that the state will provide. Typically, a target revenue level for each school district is set which is created by the base, the number of students, and their weights. Once the target number is reached, the state provides a portion of the funding while the school district provides the remainder.

Mr. Griffith reviewed salary issues and teacher retention, referencing the Recruiting and Retaining the Teachers We Need document (EXHIBIT #11). Mr. Griffith also provided a handout of average teacher salaries to the committee (EXHIBIT #12). The following ideas were presented:

- across the board salary increases
- signing bonus
 - can be used by different school districts in the state
 - specifically used in very hard to recruit areas such as Detroit or Chicago
 - loan forgiveness program which would allow for student loans to be paid off
- tax breaks
 - public was against this
 - tax breaks for further education
- alternative certification
 - there are no studies which prove these people teach as well as certified teachers.
- salary schedules
 - works in certain instances, beginning scale
 - statewide salary structure
 - pay for performance

Ms. Quinlan asked what state had a three tier certification system. Mr. Griffith responded New Mexico.

Rep. Facey asked if any studies have been done to determine when recruitment and retention began to be a problem. Mr. Griffith responded that education as a career is cyclical in nature. Some of the recruitment problems have been in traditional areas such as special education, math and science.

Sen. Glaser asked if salaries are a supervisory process or a control process. Mr. Augenblick and Mr. Griffith did not have an answer to this question.

Mr. Augenblick then reviewed Alternative Ways to Determine an Adequate Level of Support for Public Schools in a State. Mr. Augenblick discussed why adequacy is an issue and offered that states have taken it upon themselves to try and identify studies that would make schools better. However, these items have cost implications. Therefore, the state is responsible for selecting the best program. In addition, the issue of adequacy is now being raised in litigation. In several states the system has been found to be unconstitutional and the fundamental reason is because of adequacy not equity. Finally, the trend for many states is to pursue a standards based approach to reform. This approach allows the state to take on a new role where the state specifies what is expected from the students, measures whether or not the standard is being met, and holds people accountable. Mr. Augenblick also stated that there is one more role that goes along with this approach which is funding the programs so they can succeed. Mr. Augenblick then discussed the use of foundation programs to determine the amount of support the state should supply. He stated that the base cost should be in terms of the extent of services that can be provided or the level of performance that can be achieved. Mr. Augenblick reviewed the following approaches in determining an adequate base cost. They are as follows:

- Professional Judgement Approach - The assumption you make is that by gathering educators together, they can tell you what to accomplish and for what cost. Wyoming is the only state where this has been implemented.
- Successful School District Approach - Once a state has set standards, they find districts with those standards and then determine the foundation level necessary to achieve those standards. Evidence that people actually meet the standards.
- Whole School Model - Decide on a particular approach or model that the state likes and then find out the funding required to implement the program.
- Complex Statistical Approach - A data approach that can statistically infer a base cost figure.

Ms. Quinlan asked in reference to the successful school model, what systems do other states have in terms of measurement. Mr. Augenblick responded that Ohio uses a criterion referenced test which is designed and paid for by the state. The test is used in addition to the drop out and attendance rates. In Ohio, successful school districts are used to calculate the base cost per student. Kansas and New Hampshire have criterion referenced tests, however they have no consequences or accountability.

Rep. Mangan stated that even if you came up with the perfect revenue formula, the state still needs to provide funding. Mr. Augenblick concurred and continued to state that Ohio is being required by the courts to fund education consistent with the state constitution. Ohio is diverting funds from higher education to accomplish this. Rep. Mangan then stated that he is confident Montana can come up with an education plan that is equitable and constitutional, though he realizes the costs associated with the plan may be greater than the current school funding.

Sen. Glaser asked if there are any other states which devised a formula based on what has happened in the prior years. Mr. Augenblick responded that a number of states use this approach because it is easier, you assume that the levels of spending before are adequate. We have seen other states who may not use this approach for funding purposes but for analytical

purposes. Basically, states pick the year where they feel they performed the best and then they measure where they are now relative to that year. From this, the state determines the funds needed to increase performance to the levels of the year determined. Mr. Augenblick went on to state that the advantages of newer models is threefold, first the models are state specific using the data and the people from the state, second they are designed to be current, and third they can be adjusted for inflation. Sen. Glaser asked how Mr. Augenblick would determine equitable adequacy for Montana's diverse demographics and if there is any other state that has similar demographics that Montana can learn from. Mr. Augenblick responded that it is the job of the person in his position to take into account these differences. As far as other states, Kansas is somewhat similar though they have not done the work yet. Mr. Griffith responded that North Dakota is having similar problems to Montana and the route they have chosen to take is to address one issue at a time.

ADJOURNMENT

The meeting adjourned at 4:08 p.m. The next meeting is scheduled for November 2, 2001.

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