

**MINUTES**

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

**JOINT SELECT COMMITTEE ON EDUCATION FUNDING**

**Call to Order:** By **CHAIRMAN DON RYAN**, on March 2, 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  
Eddy 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.

**{Tape: 1; Side: A; Time Counter: 0.6}**

**SEN. DON RYAN, SD 10**, said that he and **SEN. ROBERT STORY, SD 30**, felt that it would be better if the Subcommittee focused on one specific issue each week resulting in legislation being prepared on a segment-by-segment basis. **Steve Johnson, Bozeman Public Schools**, has agreed to speak to the Subcommittee on Wednesday, March 9, 2005, about the current school funding structure.

**SEN. RYAN** added that the Subcommittee would begin discussing a classroom entitlement. What should the entitlement include? Should it encompass everything or only what the accreditation standards and teacher salaries and benefits allow? He also wanted to discuss a facility entitlement that is based on the number of students that a facility holds. If a school such as Flaxville, for example, drops below a certain number of students, the funding of the facility becomes a local responsibility because it has become a community structure rather than a school building. Flaxville could not charge off the cost of keeping that facility open, for example, just to benefit the community.

Following a brief discussion with staff, the Subcommittee decided to begin focusing on funding by identifying funding streams that flow into the current school funding system, attach a dollar amount to those streams, discuss what part insurance will play in the new funding structure, and tie all of the components together at the end.

**{Tape: 1; Side: A; Time Counter: 11.2}**

**REP. WILLIAM GLASER, HD 44**, said that education insurance makes up 10% of the cost to run a school. The Subcommittee should discuss how districts can move that money around once they get the spending authority.

**SEN. STORY** said he had a conversation with a former school board member who was leery of going to the one-fund system because he felt that eventually teacher salaries would eat up the whole fund and there would be no firewall imposed by the Legislature to stop it. He added that schools have had the different funds and the protection of fire walls for many years. It will take an attitude change and training on the part of the school boards to understand that they are responsible for the apportionment of their money under a one-fund system.

**Eddye McClure, Legislative Services Division (LSD)** said that the majority of education bills seen by the LSD have related to the ability to transfer money around. **SEN. GLASER** said that being able to manage the funds in the current system by moving them

around is a sign of desperation and an improperly balanced education funding system. The Subcommittee must understand why the districts found it necessary to make the moves in order to survive.

**{Tape: 1; Side: A; Time Counter: 16.4}**

**SEN. STORY** was uncertain whether the Subcommittee needed to understand why the districts find it necessary to move the funds around. It only needs to know what happened and assume that is why it happened in 95% of the cases. **REP. GLASER** said that there are funds, such as administration or insurance, that the percentage can be assumed. However, there are other funds that swing radically from district to district, side by side, such as on-schedule and off-schedule transportation.

**{Tape: 1; Side: A; Time Counter: 19.9}**

**SEN. RYAN** said if the Subcommittee spends March 8, 9, and 10, 2005, reviewing the school funds, its next logical step should be reviewing classroom entitlements and its components. The Subcommittee should also hear from a very small school superintendent, such as **John McNeil** from Savage. He could talk about when small schools become inefficient and how do the accreditation standards affect what he needs to operate. **REP. GLASER** suggested **Russell Bean, Superintendent, Augusta**, who thinks outside of the box and has a good handle on school funding issues.

**SEN. STORY** said if the Subcommittee goes with a classroom-model funding system, it needs information on what the state is going to pay for a basic school system in any size town. Is a basic system of education in Savage or Columbus different from a basic system in Billings or Bozeman?

**{Tape: 1; Side: A; Time Counter: 25.3}**

**SEN. RYAN** said that the Subcommittee must ensure that small schools have access which is where distance learning comes into play, and it has not done much talking about how the state would fund distance learning.

**Madalyn Quinlan, Office of Public Instruction (OPI)**, said that OPI asked all schools which courses they were offering by distance learning and who the providers were. The providers register with OPI. **SEN. STORY** said that the issue of distance learning needs to be reviewed comprehensively. Does the state want to make the decision to invest or should the decision be left at the local level? **Ms. Quinlan** said that currently, schools

have access to e-rate. It could dry up, but it has done a lot to help schools get Internet access and their networks built. She did not believe that the state had to be the sole entity for providing distance learning.

***{Tape: 1; Side: B; Approx. Time Counter: 2.5}***

**SEN. RYAN** asked how schools complied with accreditation standards and No Child Left Behind through distance learning. **Ms. Quinlan** said that accreditation standards require that somewhere in the process, there has to be an accredited teacher. The accredited teacher is either at the point where the distance learning is offered or at the receiving end. **SEN. RYAN** asked if OPI had any data on the number of students who are seeking distance learning services or the number of places that distance learning is not available because of location. **Ms. Quinlan** said that OPI did not have good data on either.

***{Tape: 1; Side: B; Time Counter: 6.6}***

**REP. RASER** asked if there was a breakdown of how much schools spend from their general fund on extra curricular activities. **Ms. Quinlan** said that OPI reviews places where schools are not meeting accreditation standards and takes that report to the Board of Public Education. The most common accreditation standard defaults are misassigned teachers and class-size issues. The Board then gives schools regular or full accreditation, accreditation with deviations, accreditation with advice, or accreditation with deficiencies. There are a number of schools in the last category. The Board could order OPI to withhold money from a school district which has not met the accreditation standards. However, she could not recall a time that it has happened.

**REP. GLASER** said that is a pretty high remedy when the children are punished for a school's inability to comply with a state standard. **SEN. RYAN** said that the money may not be taken away but their authorization to be a school district may because it has not met its constitutional duty when it has available resources.

***{Tape: 1; Side: B; Time Counter: 9.6}***

**REP. GLASER** said that the state needs to come up with a logical and reasonable way of delivering educational resources and assist schools so that they can provide education to its children.

**SEN. STORY** felt that the Subcommittee should spend time discussing the property tax system and how it is scattered around the state. Since it has discussed rolling up nonlevy revenue,

what does that do to the mill levies and does the number of mills make any difference in some districts? **Connie Erickson, LSD**, said that the 2001 Public School Funding Advisory Council (Council) did a tremendous amount of work in this area. She felt staff could provide that information rather than reinventing the wheel.

**{Tape: 1; Side: B; Time Counter: 14.2}**

**SEN. RYAN** said that the Council went to county equalization rather than statewide equalization because it was politically easier to do. Now that the state has been sued, statewide equalization is what the Subcommittee should review. He asked if the information from the Council provided a reason why certain districts like having the funding structure the way it is based upon their ability to raise revenue. **Amy Carlson, Office of Budget and Program Planning (OBPP)** said the Council did not talk about collapsing the funding structures, it talked about allowing certain part of the over-BASE levy to be permissive. **SEN. RYAN** asked if all of the funds are put together, would it get rid of permissive levies. **Ms. Carlson** said if you take the general fund and add in transportation and retirement, a portion of the over-BASE budget could be permissive.

**{Tape: 1; Side: B; Time Counter: 19.2}**

**Jim Standaert, Legislative Fiscal Division (LFD)**, asked if the entitlement dollar figures were adjusted or were they just added on top of the system. **Ms. Carlson** said that the Council never crunched the numbers. At that point, the work stopped because it had to get its report out, but there was no reason why the Subcommittee could not start from that point.

**SEN. STORY** asked why the state would want to equalize anything at the county level. The school district that he lives in is a beneficiary of county-wide equalization because it does not have much of a tax base. It has a good-sized staff for the district and a lot of experience so its retirement costs are high. Those costs are paid for by the rest of the county. Rapelje, however, struggles with paying retirement because they hardly have a school district.

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

**REP. GLASER** said if the state is going to walk away from the county-wide, 1950s-style equalization, it would have to provide guaranteed tax base (GTB) support to school districts. There has been some analysis done of that but not enough. The problem is that there is a lot of information but no condensation of the facts.

**{Tape: 1; Side: B; Time Counter: 27.1}**

**REP. RASER** asked if the Subcommittee was taking into account the cost of the librarian or music teacher in the classroom-entitlement model. **SEN. RYAN** said that it should talk about the accreditation standards and what staffing is needed to meet those standards. Librarians and music teachers would be classified as administrative rather than classroom.

**{Tape: 2; Side: A; Time Counter: 0.4}**

**SEN. RYAN** said that Montana currently has elementary districts, high school districts, and K-12 districts. K-12 districts meet the accreditation standards for librarians and counselors. However, smaller, stand-alone elementary districts find it difficult to meet the librarian and counselor standards. **Ms. Quinlan** said that even within a K-12 district, OPI accredits elementary programs separately from the high school programs. It is possible that the same person could provide services in both programs. **SEN. RYAN** said that a K-12 district's ability to meet those accreditations is easier. **Ms. Quinlan** agreed, and added that the independent elementary districts have more of a problem.

**SEN. STORY** said that some support services are provided through co-operatives (co-ops). He asked about the number of staff people who are employed by the co-ops that are serving more than one school. **Ms. Quinlan** said that OPI could provide information on co-op employee job functions and how they are employed. It can also provide the number of teachers who show up in more than one school system or district. It also has a map of the special education co-ops of which there are 21. Every school district is assigned to a co-op even if it does not avail itself of the services. There are other co-ops, such as food service co-ops. Part of the K-12 School Renewal Commission's work was to identify the various co-ops. **Ms. Erickson** added that some of the co-ops are not tied to the accreditation standards. **Ms. Quinlan** said the key would be those co-ops that employ certified staff.

**{Tape: 2; Side: A; Time Counter: 4.5}**

**Ms. Erickson** asked about the information available on how much distance learning is being offered throughout the state. **Ms. Quinlan** will provide a summary of information that OPI has collected. She said that OPI would know the classrooms that have distance learning facilitators located in the class, which automatically implies that the teacher is somewhere else, and it would not know if the school district is initiating the distance learning.

**{Tape: 2; Side: A; Time Counter: 6.9}**

**Erik Burke, MEA-MFT**, said that the MT School Boards Association (MTSBA) and MEA-MFT are developing a consortium of districts (30) that have expressed interest in providing distance learning throughout the state. The consortium plans on having something up and running by next fall. In addition, northeastern Montana has an extensive network of districts that are using distance learning. **Ms. Quinlan** suggested a VisionNet conference with northeastern Montana school superintendents.

**{Tape: 2; Side: A; Time Counter: 8.9}**

**SEN. RYAN** asked if the problem with accreditation standard deficiencies could be solved through distance learning. **Ms. Quinlan** said, for example, a rural district could hire a non-certified teacher or a local person who is a good piano teacher to teach music as a stop gap while still advertising for a certified teacher.

**SEN. STORY** asked if it were more or less expensive to have a portion of a school district on distance learning and does the current funding system distinguish that. **Ms. Quinlan** expressed her concern about the funding system getting into distinguishing how the educational services are being delivered because it is a school choice. They have to look at the range of possibilities and the money they have available.

**REP. RASER** said even though the person teaching is not certified, there is still going to be a cost for the program. The Subcommittee should talk about the regionalization of services and how it could be a component of what the state is going to fund. The regionalization of services came from the Renewal Commission. The concept was that the state would fund the development of regions across the state, and each region would determine its own needs.

**{Tape: 2; Side: A; Time Counter: 13.0}**

**Ms. Quinlan** said that OPI received a grant from the U.S. Department of Education's Special Education Unit to look at regional services. Montana currently has a good system of regional service areas for personnel development within special education. The grant was given to expand pieces of that program to provide more educational services.

Subcommittee members discussed what days the House Appropriations Committee would be debating House Bill No. 2 (HB 2) so that they could be available to hear the presentation from **Mr. Johnson**.

They decided to meet on March 8, 9, and 10 and hear from **Mr. Johnson** on Wednesday, March 9, 2005.

**ADJOURNMENT**

Adjournment: 9:30 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 ([jes46aad0.PDF](#))**