



School Finance Training



**Jim Standaert
Fiscal Analyst
Legislative Fiscal Division**

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Legislative Finance Committee



Montana School Funding History

Period: 1999 – 2013

- ~~Property Tax Reductions and HB 124 Reimbursements (Postponed)~~
- K-12 Studies
- Adequacy Lawsuit - Columbia Falls I
 - Allegations by Plaintiffs
 - What the Judge Found
 - Legal Conclusions
- 2005 session - Legislative Response
 - Define educational needs of students (SB 152, 20-9-309)
 - Quality Schools Interim Committee – SB 525
 - Assess cost of providing needs (Woods and Associates)
- Special session of 2005 - 4 new Payments



K-12 Studies in the Early Aughties

- Who Will Teach Montana's Children (2001), and Followup (2002); Who will Staff Montana's Schools (2002), Survey of Montana's Principals and Superintendents, (2002) - All by Dori Nielson
- Governor Racicot's Task Force on Teacher Shortages/Teacher Salaries - 2000
- Governor's K-12 Public School Funding Study Advisory Council - Interim 2001-2002
- Augenblick and Myers - Cost of a Suitable Education in Montana - 2002
- K-12 Renewal Commission - Interim 2003-2004
- <http://leg.mt.gov/css/fiscal/reports/Education-Publications.asp>



Studies in Detail

- Dori Nielson Studies - The age structure and the coming retirement bulge in Montana's teachers and administrators
- Governor Racicot's Task Force on Teacher Shortages/Teacher Salaries - 2000
 - Provide steady increases in basic and per-ANB entitlements
 - More flexibility in revenue sources and funds
 - \$500 increase in salary for all teachers
 - Targeted scholarship and loan forgiveness for teachers
 - State funded stipends for National Board Certified Teachers
 - Retirement GABA for TRS increased to 2%
 - State income tax credit for teachers who lose income from relocation



Studies in Detail

Governor's K-12 Public School Funding Study Advisory Council - Interim 2001-2002

- Countywide levy to fund district general fund BASE budgets
- Expand countywide levy to fund statewide health insurance
- 3-year averaging of ANB
- Inflation on basic and per-ANB entitlements
- Combine bus depreciation, building, building reserve, technology acquisition into capital projects fund



Studies in Detail

Augenblick and Myers - Cost of a Suitable Education in Montana – 2002

- Used professional judgment techniques to "cost out" a suitable education in Montana
- 83 professional educators defined 5 prototype districts in Montana. 4 K-12, small to large, 1 small elementary
- Developed lists of minimum necessary resources to run prototype districts
- Developed prices for resources based on prices for similar resources in nearby states



Studies in Detail

Augenblick and Myers - Cost of a Suitable Education in Montana – 2002 (Continued)

- Increase in statewide K-12 spending would equal \$273 million per year (8,020/pupil vs \$6,563/pupil, 22%)
- Recommended full-day kindergarten
- Resources required include amounts sufficient to meet requirements of NCLB in future



Studies in Detail

K-12 Renewal Commission - Interim 2003-2004

- Accreditation standards are the foundation upon which K-12 education in Montana should be built
- Flexibility in school calendar, funds, and professional development
- Regionalize school services
- Remove statutory and financial barriers to consolidation
- Provide a graduated and increasing basic entitlement for districts of increasing sizes
- Create a statewide health insurance pool
- Provide more money for gifted and talented programs



Studies in Detail

K-12 Renewal Commission - Interim 2003-2004 (Cont.)

- Provide more money for special education programs
- Cost out accreditation standards
- Equalize revenues available to school district - provide for GTB in the overbase area
- State revenues should include a statewide sales tax
- Provide full day kindergarten
- Provide more money for cultural education, i.e. more emphasis on Indian studies
- Provide for quality infrastructure



Columbia Falls Elementary, et al v. State of Montana

- Complaints: State funding for K-12 education is inadequate, inequitable and Indian education insufficient
- Evidence considered by Judge Sherlock of the 1st Judicial District Court - Helena
 - Accreditation violations too numerous and increasing
 - Special education dollars competing with general education dollars
 - District general fund spending not keeping up with inflation, and too much local, i.e. state share insufficient
 - Teacher salaries low compared with other states and falling behind



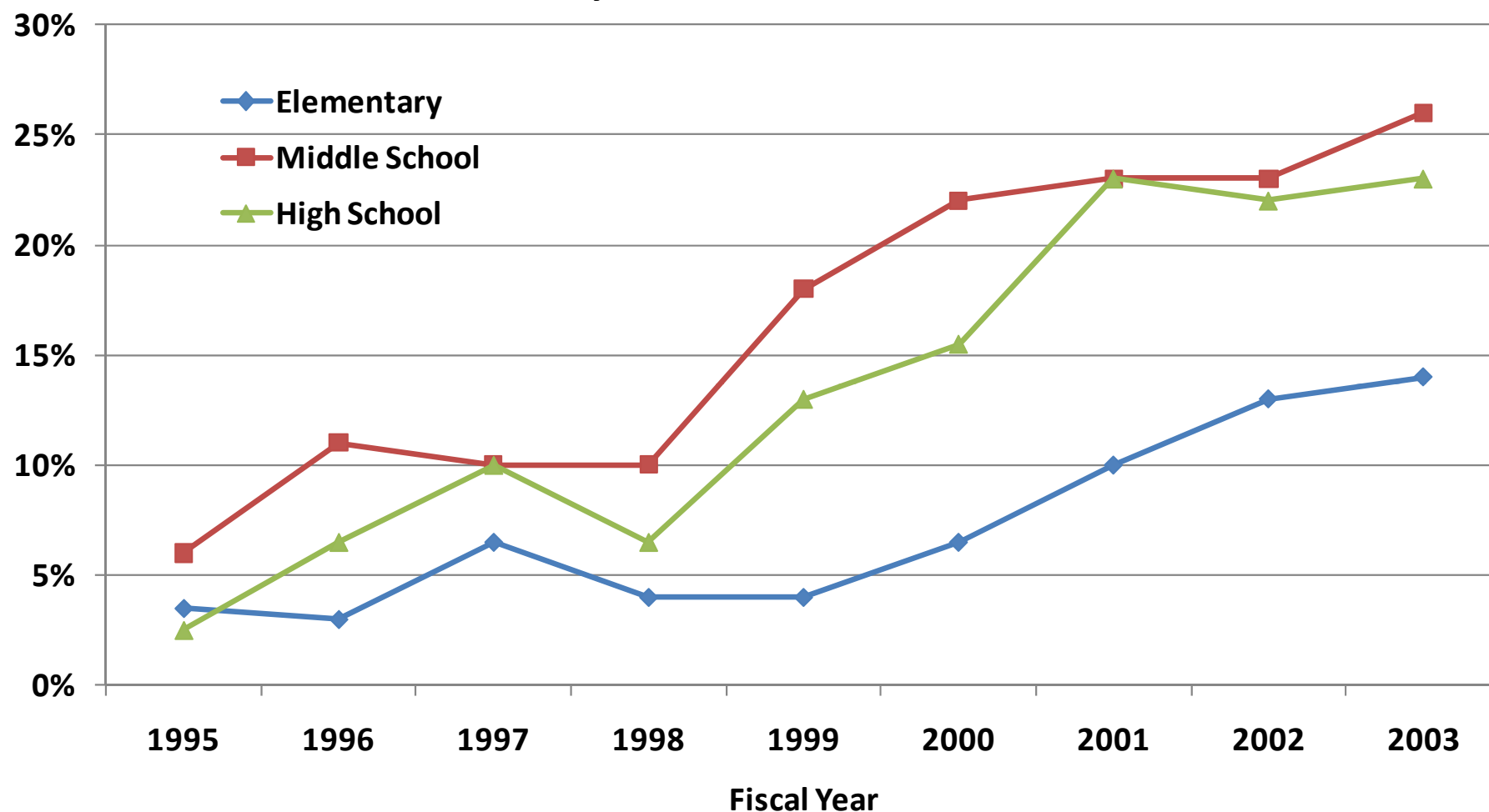
Columbia Falls Elementary et al v State of Montana

- Evidence considered by Judge Sherlock (Continued)
 - Facilities deteriorating, state has no handle on true condition of facilities
 - Indian children performances substantially below other children
 - State not recognizing and teaching all students about unique cultural heritage of American Indians
 - There are still inequities in funding and spending, but situation has improved greatly since Helena v. State
 - Court considered findings of all the studies above
 - National expert witnesses were hired by both the plaintiffs and the state

Accreditation Violations

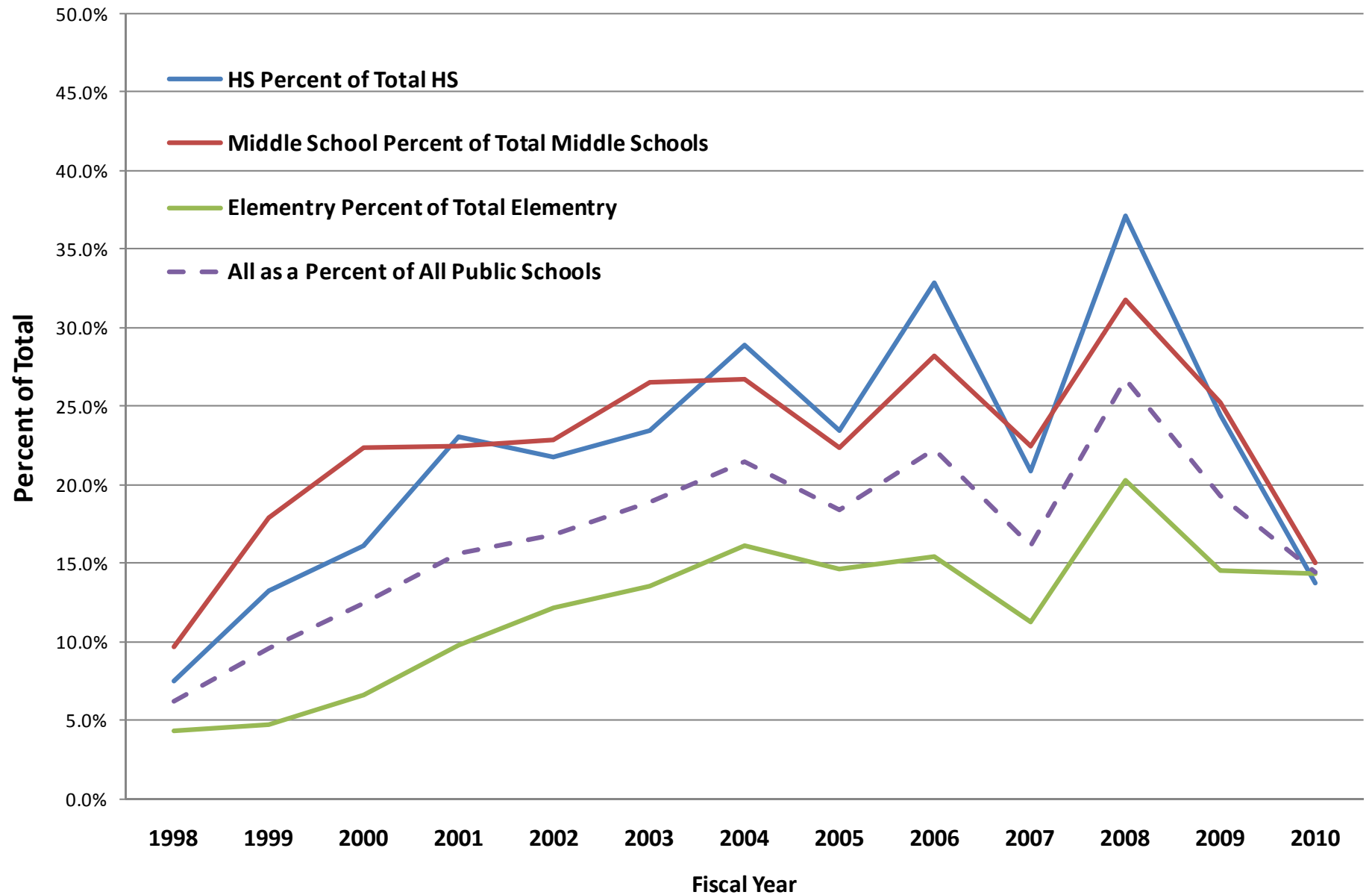
| | Advice | Deficiency |
|--|-------------------------|-------------------------|
| Non-licensed Staff | NA | First Occurrence |
| Miss-assigned teacher | Third Occurrence | Fourth Occurrence |
| Non-endorsed administrators | First Occurrence | Second Occurrence |
| Library and/or guidance services not present | First Occurrence | Second Occurrence |
| Minimum programs are not offered | First Occurrence | Second Occurrence |
| Non endorsed counselor/librarians | Second Occurrence | Fourth Occurrence |
| Continuing deviations | For 3 Consecutive Years | For 4 Consecutive Years |
| Incomplete reports | First Occurrence | Second Occurrence |
| Approved variances(s) not followed | First Occurrence | Second Occurrence |
| Class Size Violations | | |

Percent of Montana Schools Accredited under "Advice" or "Deficiency" Criteria, by level for FY 1995 thru FY 2003

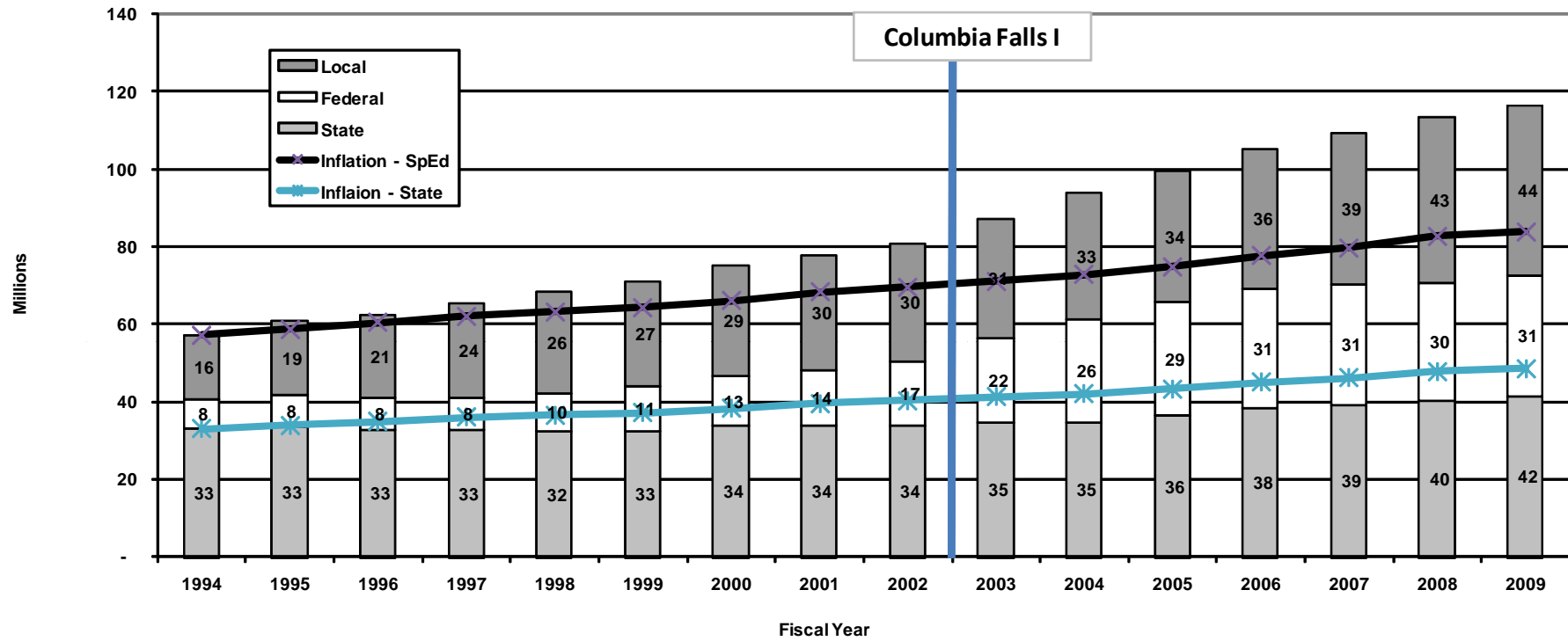


Sherlock 2004 Issue # 110: Any suggestion by the State at the trial of this matter that the violation of the accreditation standards is not serious is rejected by this court. If the State is going to require schools to meet the accreditation standards, the State cannot say violations of those standards are not a serious issue.

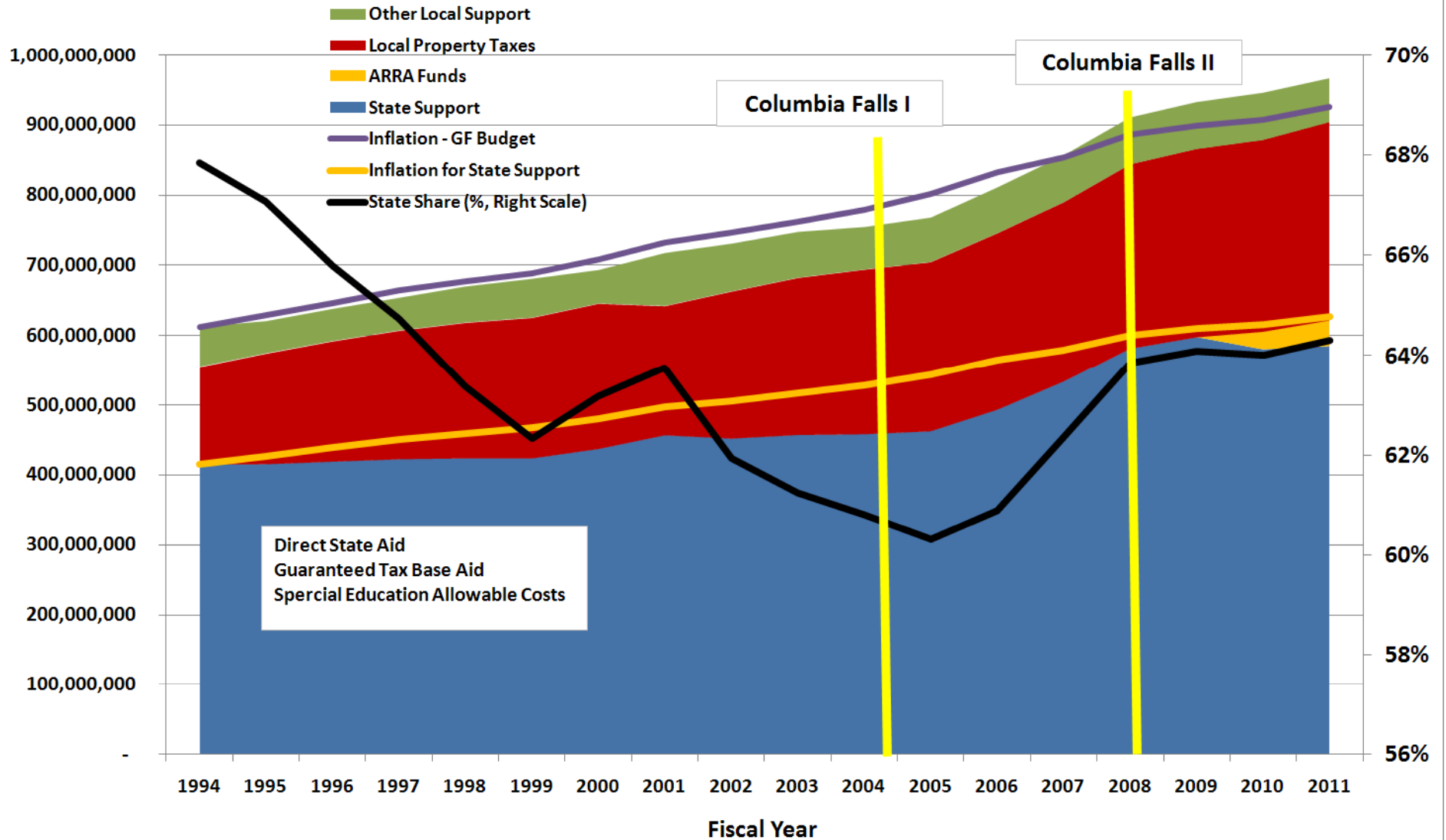
Percent of Montana Public Schools with Advice & Deficiency in Accreditation Standards



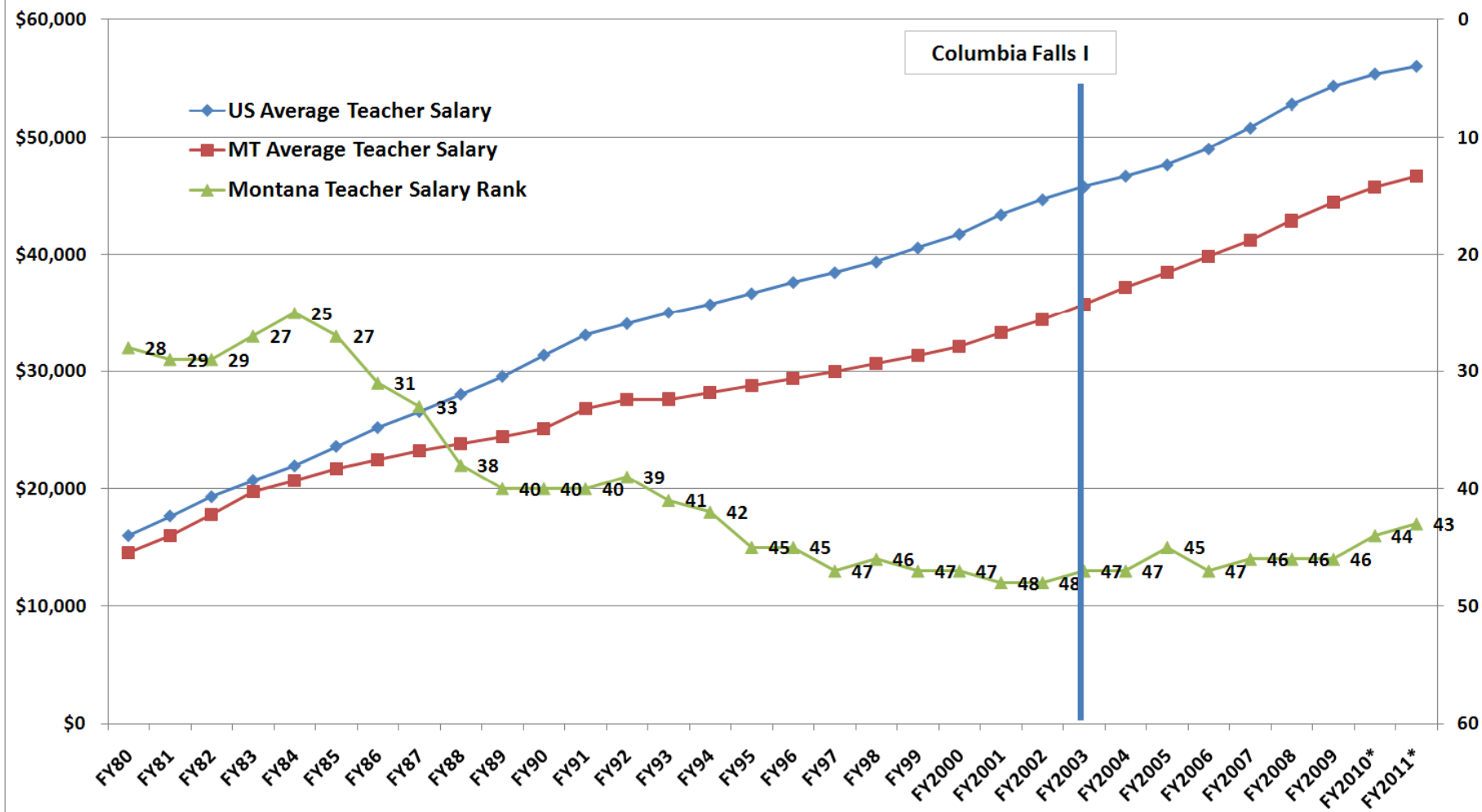
Special Education Spending, by Source - FY 1994 - FY 2009



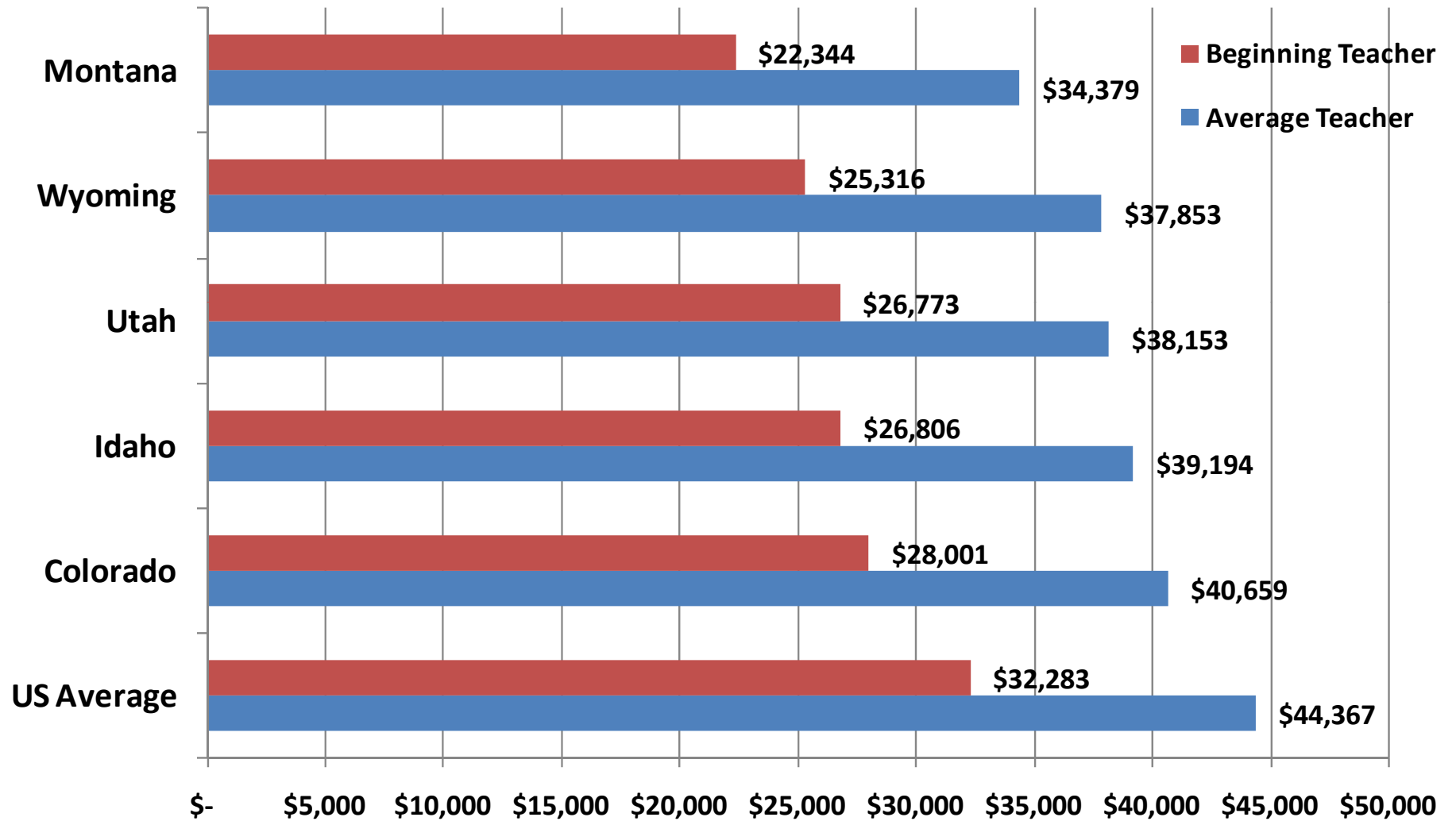
School District General Fund Revenues - 1994 - 2011



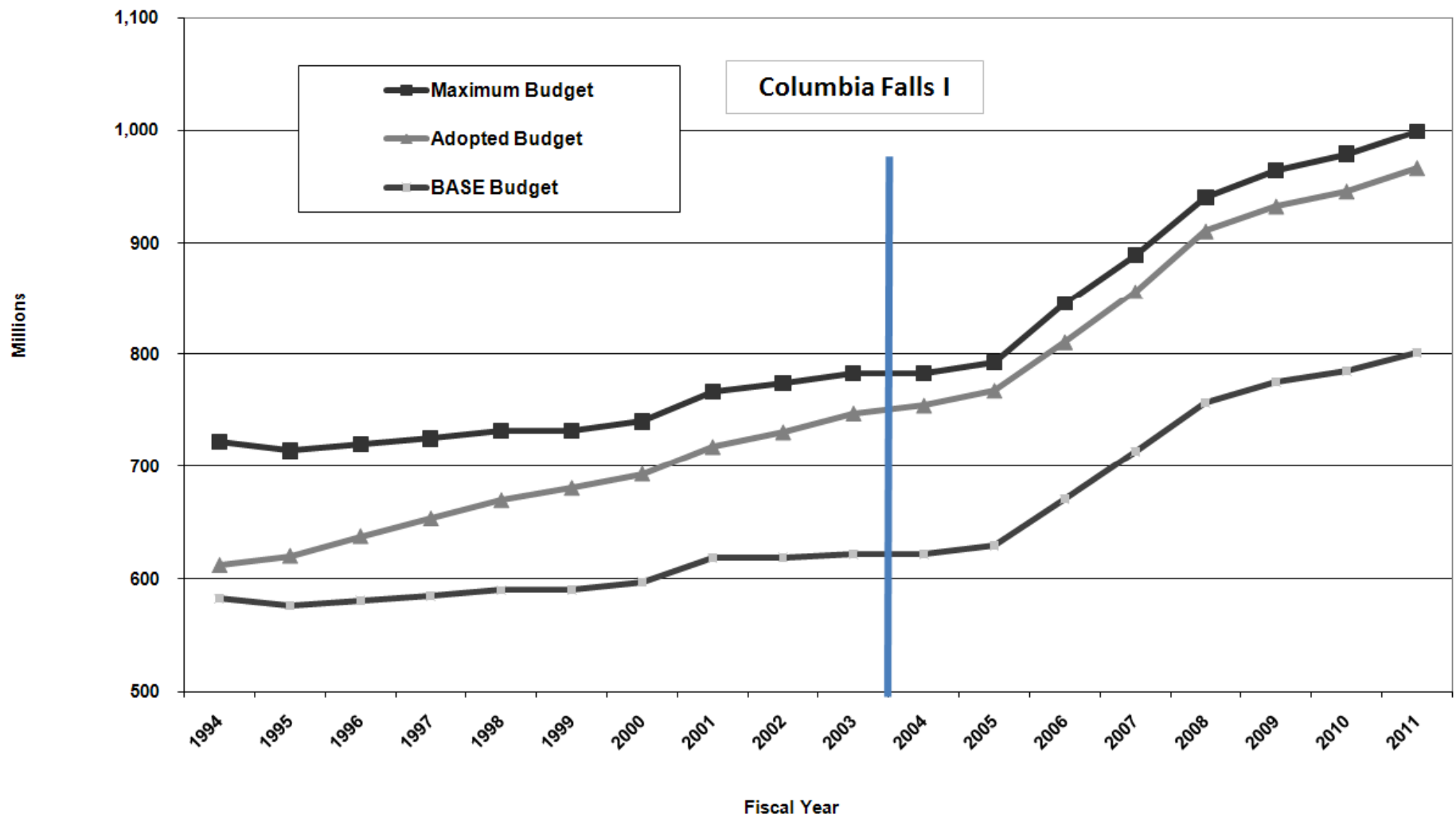
Montana Teacher Salaries Compared with US Teacher Salaries, and MT Ranking, 1980 - 2011



Average and Beginning Teacher Salary 2001-2002



Historical Trend in K-12 General Fund Budgets: FY 1994 - FY 2011





Findings on Indian Education

Article X, Section 1(2) The state recognizes the distinct and unique cultural heritage of the American Indians and is committed in its educational goals to the preservation of their cultural integrity.

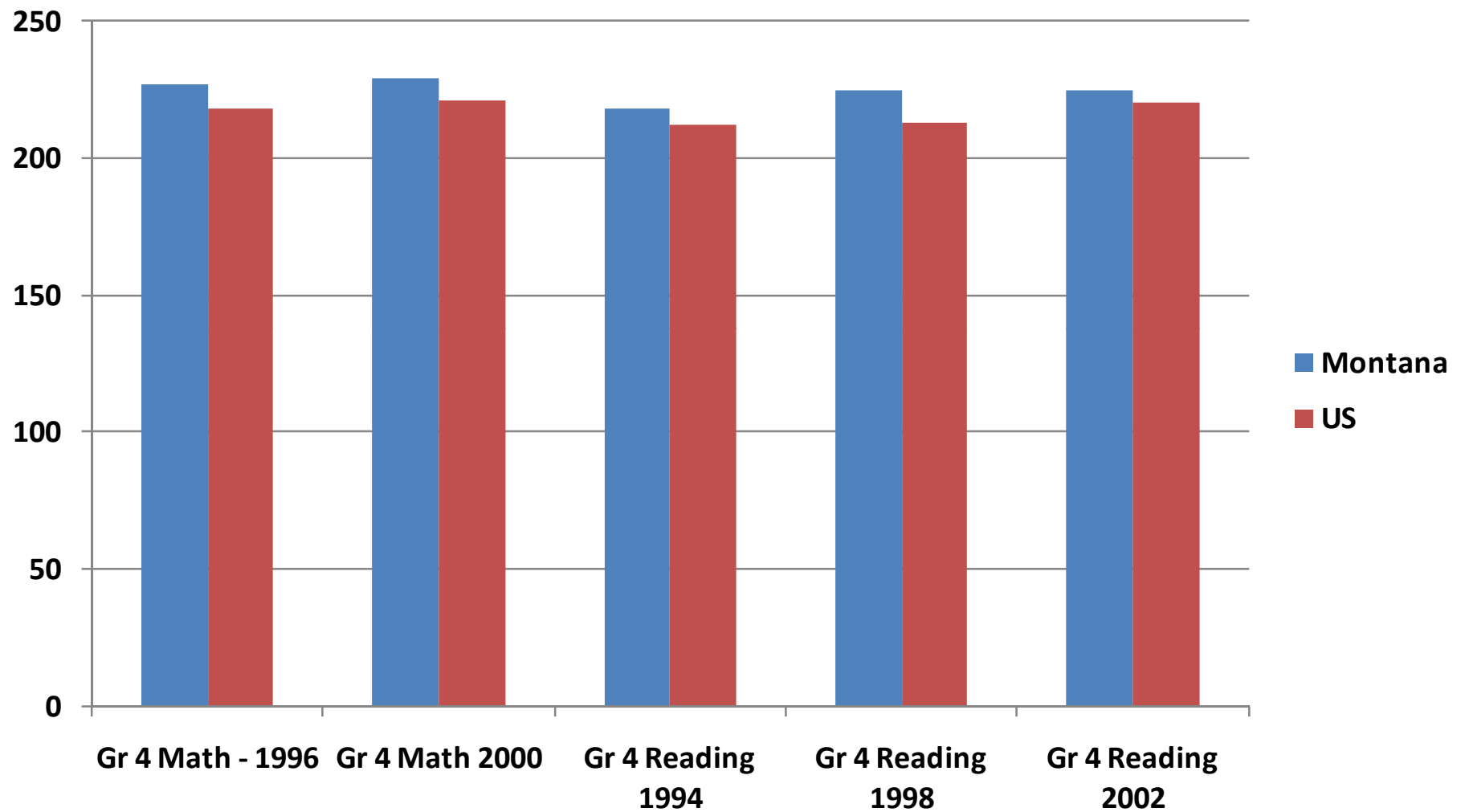
- 1999, HB 528 (Indian Education for All Act) codified in 20-1-501 through 503, declares that legislative intent is to recognize the cultural heritage of American Indians, that each child shall learn about this heritage, defines what Indian studies are, and defines the qualifications of who may teach Indian studies

Judge Sherlock in Columbia Falls I: To have any meaning or effect, the Indian Education for All Act requires resources and programs, which, in turn, require funding; The legislature has provided no funding.

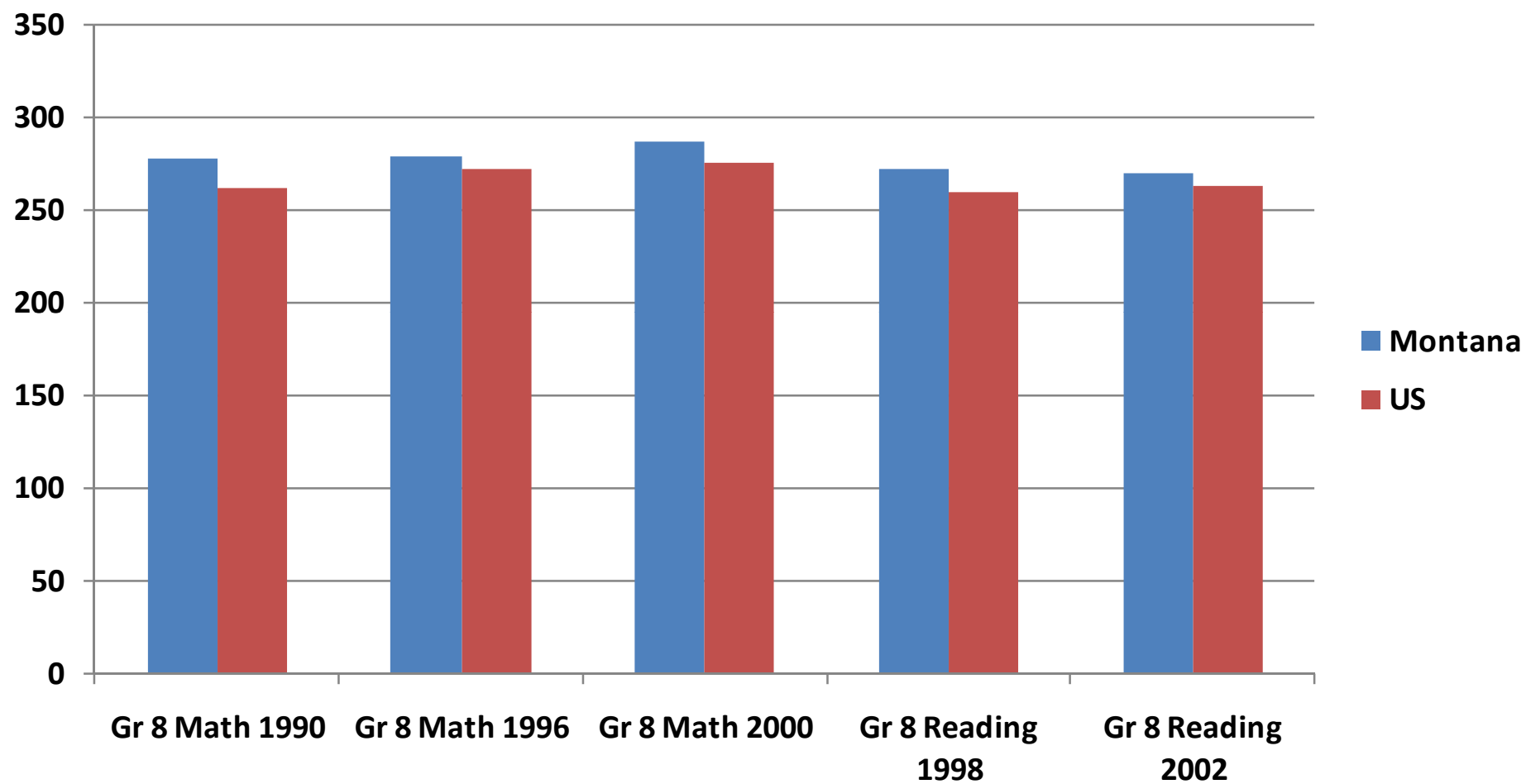
Columbia Falls – State's Defense

- ☞ Fiscal Capacity - teacher wages are low, but so are private sector wages
- ☞ State has less problems attracting and retaining teachers than other states
- ☞ Student performance in Montana exceeds most other states

NAEP Scores: Montana's 4th Graders Relative to US



NAEP Scores: Montana's 8th Graders Relative to US



Summary of Columbia Falls I District Court Case and Supreme Court Decision

☞ Dan Whyte



20-9-309(2) (SB 152) 2005 Session

Basic system of free quality public elementary and secondary schools means:

- (a) the educational program specified by the accreditation standards provided for in 20-7-111, which represent the minimum standards upon which a basic system of free quality public elementary and secondary schools is built;
- (b) educational programs to provide for students with special needs, such as:
 - (i) a child with a disability, as defined in 20-7-401;
 - (ii) an at-risk student;



20-9-309(2) (SB 152) 2005 Session

Basic system of free quality public elementary and secondary schools means:

- (b) educational programs to provide for students with special needs, such as:
 - (iii) a student with limited English proficiency;
 - (iv) a child who is qualified for services under 29 U.S.C. 794; and
 - (v) gifted and talented children, as defined in 20-7-901;



20-9-309(2) (SB 152) 2005 Session

Basic system of free quality public elementary and secondary schools means:

- (c) educational programs to implement the provisions of Article X, section 1(2), of the Montana Constitution and Title 20, chapter 1, part 5, MCA through development of curricula designed to integrate the distinct and unique cultural heritage of American Indians into the curricula, with particular emphasis on Montana Indians;
- (d) qualified and effective teachers or administrators and qualified staff



20-9-309(2) (SB 152) 2005 Session
Basic system of free quality public elementary and secondary schools means:

- (e) facilities and distance learning technologies associated with meeting the accreditation standards;
- (f) transportation of students pursuant to Title 20, chapter 10;
- (g) a procedure to assess and track student achievement in the programs
- (h) preservation of local control of schools in each district vested in a board of trustees pursuant to Article X, section 8, of the Montana Constitution.



20-9-309(3) (SB 152) 2005 Session

The legislature shall, at a minimum, consider the following educationally relevant factors:

- (a) the number of students in a district;
- (b) the needs of isolated schools with low population density;
- (c) the needs of urban schools with high population density;
- (d) the needs of students with special needs, such as a child with a disability, an at-risk student, a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794, and gifted and talented children;



20-9-309(3) (SB 152) 2005 Session

The legislature shall, at a minimum, consider the following educationally relevant factors:

- (e) the needs of American Indian students; and
- (f) the ability of school districts to attract and retain qualified educators and other personnel.



20-9-309(4) (SB 152) 2005 Session

By July 1, 2007, 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);
 - (ii) allows the legislature to adjust the funding formula based on the educationally relevant factors identified in this section;



20-9-309(4) (SB 152) 2005 Session

By July 1, 2007, the legislature shall:

- (b) establish a funding formula that:
 - (iii) is self-executing and includes a mechanism for annual inflationary adjustments;
 - (iv) is based on state laws;
 - (v) is based on federal education laws consistent with Montana's constitution and laws; and
 - (vi) distributes to school districts in an equitable manner the state's share of the costs of the basic system of free quality public elementary and secondary schools; and



20-9-309(4) (SB 152) 2005 Session

By July 1, 2007, the legislature shall:

c) consolidate the budgetary fund structure to create the number and types of funds necessary to provide school districts with the greatest budgetary flexibility while ensuring accountability and efficiency.



20-9-309(5) (SB 152) 2005 Session

At least every 10 years following April 7, 2005, the legislature shall:

- (a) authorize a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary schools; and
- (b) if necessary, incorporate the results of those assessments into the state's funding formula.



Quality Schools Interim Committee – SB 525 - 2005

- 11 members, 8 legislators, 3 non-voting non-legislators
- Created working group of legislative staff, OBPP staff, OPI staff, school superintendents, and senate staff
- 17 meetings between May 4, 2005 and December 5, 2005; working group met weekly
- Purpose: Develop school funding formula based on costs associated with education requirements in 20-9-309



QSIC – Three Studies

R.C. Woods and Associates

Needs Assessment – Farrier and Robson of U of Montana

- Accreditation standards - with the proper distribution of current funding all students would meet the accreditation standards
- Special Education, Special Needs - Achievement gap most serious for American Indian students
- Indian Education for All - State has not provided sufficient support on a statewide basis



QSIC – Three Studies

R.C. Woods and Associates

Needs Assessment – Farrier and Robson of U of Montana

- **Recruitment and Retention of Qualified Educators -**
Need more professional development, competitive compensation and benefits, especially health insurance
- **Facilities and Distance Learning -** Legislature should set building standards and do a facility condition inventory, including technology capabilities
- **Transportation -** Legislature should eliminate the 3-mile rule



QSIC – Three Studies – R.C. Wood & Associates

Measurement of Financial Adequacy

Four methods to gauge financial adequacy of a school funding system

Professional Judgement

- Choose prototype schools of typical sizes

- Expert panel defines resources needed;

- Price out resources needed

- Indicates an additional \$329 million needed in funding system



QSIC – Three Studies – R.C. Wood & Associates

Measurement of Financial Adequacy (Continued)

Successful Schools

Determine successful schools - look at resources used and spending on resources;

Apply to unsuccessful schools adjusting for differences in student characteristics

Indicates an additional \$96 million needed in funding system



QSIC – Three Studies – R.C. Wood & Associates

Measurement of Financial Adequacy (Continued)

Evidence-Based Analysis

Recommended proven strategies that increase student performance: preschool, all day kindergarten, professional development, class size reduction -
Indicates costs would increase by \$20.6 million



QSIC – Three Studies – R.C. Wood & Associates

Measurement of Financial Adequacy (Continued)

Advanced Statistical Analysis

Identify the quantifiable elements of the definition of a basic school system and compute the costs - indicates cost would need to rise \$34 million



QSIC – Three Studies – Stoddard and Young - MSU

- Stoddard and Young analyzed salaries, turnover, difficulty hiring, recruitment and retention of school personnel in Montana
- Compared to 1988, teacher salaries in Montana have fallen from 85% of national average to 78%
- The number of teacher graduates that leave Montana has increased; now 40% leave
- Lower salaries in Montana can be partly explained by declining enrollments = lower demand for teachers; Difficulty hiring, retention and turnover are less than other states



QSIC – Three Studies – Stoddard and Young - MSU

- Within the state and between districts, districts with lowest salaries have more difficulty hiring, have more turnover, more misassigned teachers
- Besides salaries, isolation, health insurance, and school size also affects teacher turnover
- If Salaries in the lowest spending districts were raised 10%, turnover would be reduced by 20%, difficulty in hiring about 10%, and misassigned teachers by 30%
- Compensation data needs to be improved in Montana



QSIC – New General Fund Funding Formula

Size Categories

| | |
|----------------------|-----------------------|
| E6 < 41 Students | H5 <75 Students |
| E5 41- 150 Students | H4 75-200 Students |
| E4 151-400 Students | H3 201-400 Students |
| E3 401-850 Students | H2 401- 1250 Students |
| E2 851-2500 Students | H1 > 1250 Students |
| E1 >2500 Students | |

Based on FY 2004 spending data, inflated to FY 2007



QSIC – New Funding Formula

Per Student Component

- Use 3-year averaging – the higher of current ANB or a three-year average of ANB
- Put pupil-instruction related days in classroom component
- Covers costs associated with textbooks, supplies, extra-curricular & co-curricular activities, and assessments
- Applies a multi-risk formula to account for American Indian students, free and reduced price lunch students, migrant students, limited English proficient, per-capita income;
- Each district would receive 10% for at-risk, plus additional amounts if heavily concentrated in at-risk students



QSIC – New Funding Formula

Per Student Component (Continued)

- Per-student amounts - \$558 small elementaries; \$145 for large elementaries
- Per-student amounts - small high schools \$1,442; large high schools \$369
- Total costs \$62.5 million – 6.4% of total



QSIC – New Funding Formula - Elementary

Classroom Component

- Covers cost associated with teachers, instructional aides, health insurance and retirement, allowance for substitutes, professional development, certain instructional supplies and equipment

| Size Category | Student Teacher Ratio | Teacher salary |
|----------------------|------------------------------|-----------------------|
| E6 < 41 Students | 8.6 students per teacher | \$27,503 |
| E5 41- 150 Students | 13.5 students per teacher | \$33,437 |
| E4 151-400 Students | 15.4 students per teacher | \$41,416 |
| E3 401-850 Students | 16.6 teachers per student | \$44,585 |
| E2 851-2500 Students | 17.9 teachers per students | \$44,355 |
| E1 >2500 Students | 19 students per teacher | \$47,688 |



QSIC – New Funding Formula – High School Classroom Component (Continued)

- Covers cost associated with teachers, instructional aides, health insurance and retirement, allowance for substitutes, professional development, certain instructional supplies and equipment

| Size Category | Student Teacher Ratio | Teacher salary |
|-----------------------|------------------------------|-----------------------|
| H5 <75 Students | 8.5 students per teacher | \$37,094 |
| H4 75-200 Students | 14.4 students per teacher | \$40,017 |
| H3 201-400 Students | 16.6 students per teacher | \$42,391 |
| H2 401- 1250 Students | 17.7 students per teacher | \$44,949 |
| H1 > 1250 Students | 19 students per teacher | \$49,658 |



QSIC – New Funding Formula

Classroom Component (Continued)

- Additional costs
 - Health Insurance - \$6,378 per FTE
 - Paraprofessional - \$765 per FTE
 - Substitutes - \$761 per FTE
 - Professional Development - \$800 per FTE
- Number of Classrooms - 8,900; actual number of teachers 10,400
- Total cost of classroom component - \$510.4 million – 52.7%



QSIC – New Funding Formula

Accredited Program Component

- Covers cost associated with administration (superintendents and principals), counselors, librarians, business office, secretaries, student support staff, office supplies, dues, audits, nursing services, and health services
- The committee set the number of FTE for each size category, and chose salary levels, retirement amounts, health insurance amounts, professional development
- Total cost of Accredited Program Component: \$220.7 million; 22.8%



QSIC – New Funding Formula

Building Operations and Maintenance Component

- Committee used 138 square feet per student in elementary and 173 square feet per student in high school and established \$4.50 per square foot amount. In addition, elementary was allocated a fixed \$5,800 and each high school a fixed \$51,000
 - Square footage based on American School and University magazine survey
 - Dollars per square foot based on Architectural and Engineering Division of Dept of Admin
- Total cost of Building Operations and Maintenance Component: \$106.0 million; 10.9%



QSIC – New Funding Formula

Special Education

- Covers costs associated with delivery of special education services, i.e. special ed teachers, special ed paraprofessionals, health insurance, retirement and supplies
- Distributed as under current law
- Total cost of Special Education Component: \$66.8 million; 6.9%



QSIC – New Funding Formula

Indian Education For All Component

- Covers costs associated with meeting the needs of Indian Education for All.
- Distributes annually \$22 per ANB to all school districts
- On an OTO basis, distributes \$50 per ANB for startup costs: \$7,000,000
- Total ongoing cost of the Indian Education for All Component: \$3,000,000; 0.3%



QSIC – New Funding Formula

- Total new minimum district general fund spending for FY 2007: \$969 million, but retirement was \$94 million = net of \$875 million (Committee decided to leave retirement in own fund)
- This was called the Q-line general fund budget and was the minimum budget, equivalent to what is called the BASE budget
- Maximum budget was set at 125% of Q-Line
- Funded by Direct State Aid (44.7%) and GTB (55.3%)
- FY 2006 general fund and technology fund = 830 million



QSIC – New Funding Formula

Additional Recommendations of QSIC:

- Transportation: No change from current law
- Capital projects component; covers cost of land acquisition, engineering and architecture services, building construction and acquisition, etc
- Recommended a facility condition inventory for \$2 million
- Recommended a one-time only \$23 million to be used for deferred maintenance and weatherization, distributed on a per student basis
- School debt service fund: No Change



QSIC – New Funding Formula

Additional Recommendations of QSIC:

- Recommended that school employees be included in the state employees' health insurance program.
- Proposed Revised fund structure; pages 27-28 of LSD – QSIC report



December 2005 Special Session

Governor Schweitzer made call for special session in education funding; Proposed and the legislature passed the following:

- Quality Educator Payment: Count licensed educators times \$2,000/FTE = \$24.4 million (now \$3,042/FTE)
- At-Risk payment at \$5.0 million, distributed as Title 1 is distributed
- Indian Education for All payment: \$20.40 per ANB to all districts, minimum \$100 per district - \$3.0 million
- Close The Achievement Gap payment - \$200 per American Indian student, 16,000 students = \$3.2 million



Summary of Legislative Response Since C-Falls 1

- Inflation - Instituted in law that the superintendent recommend a statutorily defined inflation factor to be applied to the basic and per-ANB entitlements, as present law
 - SB 424 (2003 session) - to be applied starting in FY 2006
 - Not self executing
- Three Year Averaging - Allow districts to choose the higher of current year ANB or a three year average
 - HB 63 (2005 session) effective FY 2006 - added 3,000 ANB, \$10 million to state



Summary of Legislative Response Since C-Falls 1

- Increase GTB Ratio from 175% to 193% - SB2 (2007 SS) - Effective FY 2008 - added \$11million to state cost
- Full-Time Kindergarten - SB2 (2007 SS) - Effective FY 2008 - Added around 5,000 ANB, cost to state \$15.1 million, plus \$10 million start-up costs
- Created four new payments - (2005 SS) Effective FY 2007



Plan for Next Meeting

- Columbia Falls II – Adequacy Again
- Special Topics
 - HB 124 Block Grants
 - Nonlevy Revenue – disequalizing impacts
 - How does the retirement fund work
 - How does the debt service fund work
 - Where is the state budget now