


GEAR UP for the 2017 Legislative Session

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Veteran Clerks Workshop
September 14, 2016 – Great Falls


2017 Legislative Session

- Quiz
- Interim Committee work
 - School Funding Interim Commission
 - Education & Local Government
 - State Administrative & Veteran Affairs

Take the Quiz!


1. What does BASE stand for?
 - a. Building and Sustaining Education
 - b. Basic and Standard Education
 - c. Basic and Special Education
 - d. Base Amount for School Equity 

Take the Quiz!

2. Including PIR (Pupil Instruction Related) days in the calculation of ANB increases enrollment numbers by about:
- a. 1%
 - b. 2%
 - c. 4% 
 - d. 7%


The addition of 7 PIR days to the 180 day calendar results in a ratio of $187/180$ or 1.039 or a 3.9% increase.

Take the Quiz!

3. The Otter Creek lease provided extra money for school districts in FY2012.
 - a. True
 - b. False 


This statement is false. Prior to SB 175 (2013) interest and income from school trust lands deposited in the Guarantee Account simply reduced the amount of state general fund dollars going to school districts. With the passage of SB 175, a portion of the income from school trust lands in excess of \$56 million will provide extra money for districts.

Take the Quiz!

4. Revenue from the Guarantee Account and the 95 mills covers roughly how much of annual state K-12 spending?
- a. $1/3$ 
 - b. $1/2$
 - c. $2/3$
 - d. $3/4$


In FY 15, the Guarantee Account provided about \$50 million and the 95 mills generated about \$250 million of the roughly \$800 million spent for K-12 base aid. The correct answer is: $1/3$

Take the Quiz!

5. An elementary school district with 3 elementary schools receives 3 basic entitlements.
- a. True
 - b. False 

Each elementary district budgets with one basic entitlement regardless of number of schools. Larger districts do budget additional "basic entitlement increments" based on ANB, but this is independent of the number of schools. The correct answer is 'False'.

Take the Quiz!

6. The reduction of ANB entitlement amounts (aka the decrement) affects a high school district when ANB exceeds 800.
- a. True
 - b. False 

The decrement reduces the per-ANB entitlement beginning with the second student (ANB). For high school districts in FY 16, this means the per-ANB entitlement of ANB #1 is \$6,847, #2 is \$6,846.50, #3 is \$6,846 with each additional ANB dropping the entitlement by \$0.50 up to 800 ANB at which point all subsequent ANB generate a per-ANB entitlement of \$6,447.50.

The correct answer is 'False'.


Take the Quiz!

7. The amount of revenue generated by the lottery for K-12 education in FY2014 was about:

- a. \$0 
- b. \$4.5 million
- c. \$7.5 million
- d. \$12.5 million


Lottery revenue goes to the state general fund, but is not earmarked for K-12 education.

Take the Quiz!

8. Increases in the Quality Educator payment mean dollar-for-dollar raises for teachers.
- a. True
 - b. False 


The quality educator payment increases district general fund budgets by \$3,113 per licensed FTE in FY 16, but isn't necessarily used to increase teacher salaries.

Take the Quiz!


9. The state funds 80% of BASE budgets; local taxes pay for the remaining 20%.
- a. True
 - b. False 

The BASE budget is established using 80% of the basic and per-ANB entitlements, but the state funds 44.7% of these through direct state aid. The remaining 35.3% of this budget area is funded through non-levy revenue, GTB aid, and local taxes. The percentage of state aid in an individual district's general fund budget is dependent on numerous factors.

Take the Quiz!

10. In his 2008 decision, Judge Sherlock characterized Montana's school funding system as having:
- a. "confounding complexity" 
 - b. "spellbinding simplicity"
 - c. "likely been designed on the back of a Jorgenson's barnap"
 - d. "a certain Rube Goldberg-esque quality"

Take the Quiz!

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P152. 124. In reviewing the testimony in this case, the Court must reiterate the confounding complexity of Montana's school funding system. The Court concludes that there will always be tension between the education community and the legislature over the funding of Montana's schools. This results from many factors, but especially from the fact that the legislature meeting in 2009, for example, will be setting school budgets for fiscal years 2010 and 2011. With so many dynamic forces at play in the school funding process, it is difficult to see how the competing forces in a case such as this can ever agree on a proper funding amount.

2017 Interim Committees

SCHOOL FUNDING INTERIM COMMISSION

- SB128 (2005 session)
- Decennial study of K-12 funding
- 12 Legislators and 4 public members

Senators	Representatives	Public
Elsie Arntzen (vice-chair)	Jeff Essmann	Patricia Hubbard
Tom Facey (chair)	Don Jones	Renee Rassmussen
Kristin Hansen	Kathy Kelker	Aidan Myhre
Mary Sheehy Moe	Debra Lamm	Dave Lewis
Matthew Rosendale	Edie McClafferty	
Lea Whitford	Susan Webber	

SCHOOL FUNDING INTERIM COMMISSION

Duties per SB128

- conduct a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary high schools
- if necessary, recommend to the following legislature changes to the state's funding formula, and
- issue a report on the commission's findings and recommendations, including bill drafts, by 9/15/2016

SFIC met 6 times (Sept. 2015 – Aug. 2016)

SCHOOL FUNDING INTERIM COMMISSION

Constitutional Framework – Article X, Sec. 1

- (1) *It is the goal of the people to establish a system of education which will develop the full educational potential of each person. **Equality of educational opportunity is guaranteed to each person of the state.***
- (2) *The state recognizes the distinct and unique cultural heritage of the American Indians and is committed to its educational goals to the preservation of their cultural integrity.*
- (3) *The legislature shall provide a basic system of free quality public elementary and secondary schools. The legislature may provide such other educational institutions, public libraries, and educational programs as it deems desirable. **It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.***

SCHOOL FUNDING INTERIM COMMISSION

Basis of study:

- Is school funding **adequate**
 - Is the state's share and the overall revenue available to school district's enough?
- Is school funding **equitable**
 - Is the distribution of the state's share equitable such that students in school districts across the state are afforded equality of educational opportunity?

SCHOOL FUNDING INTERIM COMMISSION

SFIC studied:

- **School funding lawsuits**
 - 1989 Helena Elementary No. 1 vs. State
 - 2004 “Columbia Falls 1”
 - 2008 “Columbia Falls 2”
- **Past studies and recommendations** *(see chart)*
 - 2003 School Renewal Commission
 - 2005 Quality Schools Interim Commission

SCHOOL FUNDING INTERIM COMMISSION

Survey of stakeholders & public (Aug/Sept 2015)

- Nearly 1400 responses
- Goals were to allow broad public input and raise awareness of the study
- Posted on internet:
 - [Summary](#) of survey results
 - [Link](#) to open-ended questions

SCHOOL FUNDING INTERIM COMMISSION

- Established 4 priority topics:
 - Recruitment and retention
 - School facilities
 - Special education/special needs
 - District structure and boundaries
- Identified other topics of interest, including:

Health insurance	Levy system
Fund reserve limits	Technology
Equity issues (small schools; decrement)	Open enrollment
How to fund increases/revenue sources	Predictability of funding
Determining the costs of education	

SCHOOL FUNDING INTERIM COMMISSION

Recruitment and Retention – Findings

- Struggle with specific content areas: special education, math and career/technical education.
- Struggle because the school is geographically isolated.
- Quality Educator Loan Assistance Program needs revision.
- Salary is only one contributing factor.
- Induction and mentorship programs should help.
- Tap the “reserve pool” of degreed teachers not currently teaching.

SCHOOL FUNDING INTERIM COMMISSION

Recruitment and Retention – Recommendations

- Revise Quality Educator Loan Assistance Program
- Develop quality induction programs coordinated by OPI, BPE, MUS and education community
- Teacher prep programs should encourage rural preservice experience
- MUS should offer/expand teacher prep programs in locations that benefit rural Montana, including online programs that would reach potential teaching candidates more likely to teach in rural schools.

SCHOOL FUNDING INTERIM COMMISSION

LC QELP – bill draft to revise Quality Educator Loan Assistance Program

- Emphasizes geographic isolation as a factor in identifying schools impacted by critical quality educator shortages
- Modifies the assistance eligibility schedule
 - Current law: 4 years; \$3,000 maximum
 - Proposal: 3 years in an impacted school or another school within the same school district
 - Year 1 up to \$3,000
 - Year 2 up to \$4,000
 - Year 3 up to \$5,000

SCHOOL FUNDING INTERIM COMMISSION

School Facilities – Findings

- Identified 3 “tiers” of facility needs:
 - Tier 1: Operations and regular maintenance (O&M)
 - Tier 2: Major maintenance
 - Tier 3: New construction
- State should help fund these tiers
- State support of Quality Schools Facility Grant Program (QSFGP) has been inconsistent.
 - Revenue stream for Debt Service GTB has decreased, leading to reduced reimbursement levels

SCHOOL FUNDING INTERIM COMMISSION

School Facilities – Findings (continued)

- Local effort in facilities(a.k.a. “skin in the game”) helps ensure prudent planning and ongoing maintenance
- Capital improvements planning is more effective when:
 - districts are provided greater budgetary flexibility
 - state support for school facilities is consistent
 - state programs are flexible
 - districts have a long-term facilities plan based on an updated facility condition inventory

SCHOOL FUNDING INTERIM COMMISSION

Facilities – Recommendations

- **LC ICAP** – minor changes to the INTERCAP loan program
- **LC EFBT** – allow transfers from GF to Building Reserve
- **LC GRT1** – replacing QSFGP with formula facility grant program requiring updated facility inventory and plan and local effort; revising revenue streams
- **LC GRT2** – revising QSFGP to require updated facility inventory and plan and local match
- State policy needs to encourage local effort and long-range planning in managing and maintaining school district facilities

SCHOOL FUNDING INTERIM COMMISSION

LC ICAP – minor changes to the INTERCAP loan program

- Can use to finance:
 - Construction of buildings used primarily for the storage and maintenance of vehicles and equipment
 - Cost of nonpermanent modular classrooms necessary for student instruction
- Allows an approved building reserve levy to be used to repay a loan for up to 15 years only for projects authorized by the voters.
- Allows repayment from “an applicable budgeted fund of the district”

SCHOOL FUNDING INTERIM COMMISSION

LC EFBT – allow transfers from General Fund to Building Reserve Fund

- Similar to transfers to Compensated Absences Fund
- For major maintenance projects
 - Roofing systems
 - Heating, a/c and ventilation systems
 - Energy-efficient window and door systems and insulation
 - Plumbing systems
 - Electrical and lighting systems
 - Information technology infrastructure, including internet

SCHOOL FUNDING INTERIM COMMISSION

LC GRT1 – replacing QSFGP with formula facility grant program

- Eliminate School Facility and Technology Account
- Deposit riverbed and timber revenues in Guarantee Account (about \$5 million)
- Guarantee Account pays \$1 million technology payment to schools
- Guarantee Account sends the greater of \$10 million or 20% of interest and income to new **Facility Grant Program account**
 - All districts get “credit” that flows with local planning and effort
 - Credit sits in a separate (new) account until claimed by the district
- Debt Service GTB is paid from the state General Fund

SCHOOL FUNDING INTERIM COMMISSION

LC GRT2 – revising QSFGP to require updated facility inventory and plan and local match

- Eliminates Facility and Technology Account
- Deposit riverbed and timber revenues in Guarantee Account (about \$5 million)
- Guarantee Account pays \$1 million technology payment to schools
- Creates **School Debt Service Assistance Account**
 - Funded with lottery net revenue (about \$12 million)
 - Pays Debt Service GTB (about \$10 million)

SCHOOL FUNDING INTERIM COMMISSION

LC GRT2 – continued

Creates **Major Maintenance Grant Program Account**

- Intended funding is \$10 million total from:
 - Overflow from SDSAA (about \$2 million)
 - 95 mills revenue captured from TIFDs (about \$2 million)
 - Workers comp dividends (amount unknown)
 - Transfer from Guarantee Account to bring to \$10 million

SCHOOL FUNDING INTERIM COMMISSION

LC GRT2 – continued

ESTIMATED IMPACT ON STATE GENERAL FUND

	Gains/Savings	(Losses)
Loss of lottery net revenue		\$ 12 million
Eliminates NRD payment	\$ 5 million	
Repeals STEM scholarship program	\$ 0.4 million	
“Captured” 95 mills from TIFDs	\$ 2 - \$3 million	
Additional needed to replace lost revenue to Guarantee Account		\$ 2 million

SCHOOL FUNDING INTERIM COMMISSION

Special Education and Special Needs – Findings

- Special education cooperatives are struggling to cover costs in providing basic services.
- Flat state support for special education has led to greater local share of special education expenditures.
- Needs and costs for special education are increasing and changing.
- Gifted and talented programs are locally determined by school districts.
- Gifted and talented education has not been an educational priority.

SCHOOL FUNDING INTERIM COMMISSION

Special Educ/Special Needs-Recommendations

- **LCs SE01, SE02 and SE03** – options for increasing the state special education payment
- **LC GFTD** – creating a component for funding G&T programs
- **LC SNSY** – requesting a study of costs of special needs and exploration of different special needs funding mechanisms
- OPI, BPE and teacher prep programs should ensure teachers are able to identify and serve G&T students.

SCHOOL FUNDING INTERIM COMMISSION

FY2017 appropriation \$42.892 million

Bill Drafts:

LC SE01 - Increases special education appropriation by inflation:

FY2018 \$ 587,620 (1.37%)

FY2019 \$ 1,065,895 (2.45%)

Distribution (current law):

52.5% Instructional block grants

17.5% Related services block grants

25.0% Reimb for disproportionate costs

5.0% Co-op administration and travel

SCHOOL FUNDING INTERIM COMMISSION

FY2017 appropriation **\$42.892 million**

Bill Drafts:

LC SE02 - Increases special education payment by inflation + \$2 million annually for coops through appropriation and changes in distribution %

FY2018	\$ 587,620 (1.37%) + \$2 million
FY2019	\$ 1,065,895 (2.45%) + \$2 million

Distribution (proposed):

- 50.2% Instructional block grants
- 16.7% Related services block grants
- 23.9% Reimb for disproportionate costs
- 9.2% Co-op administration and travel

SCHOOL FUNDING INTERIM COMMISSION

FY2017 appropriation \$42.892 million

Bill Drafts:

LC SE03 - Increases special education payment by \$2 million annually for coops through appropriation and changes in distribution %

FY2018	\$ 2 million
FY2019	\$ 2 million

Distribution (proposed):

- 50.2% Instructional block grants
- 16.7% Related services block grants
- 23.9% Reimb for disproportionate costs
- 9.2% Co-op administration and travel

SCHOOL FUNDING INTERIM COMMISSION

LC GFTD - creating a component for funding G&T programs

- Provides definitions for *“high ability/high potential student”* and *“multi-disciplinary team”*
- Programs to serve HA/HP students must comply with policies recommended by OPI and BPE
- School districts shall report the number of HA/HP students identified, plans for providing programs to HA/HP students and how state funds have been used to provide services and training
- High ability/high potential payment
 - New GF funding component, annually adjusted for inflation
 - \$10 per ANB in FY2018 or \$100, whichever is greater

SCHOOL FUNDING INTERIM COMMISSION

[LC SNSY](#) - requesting a study of costs of special needs and exploration of different special needs funding mechanisms

- Children with disabilities,
- At-risk students,
- Students with limited English proficiency,
- Children who are qualified for services under 29 U.S.C. 794; and
- Gifted and talented

SCHOOL FUNDING INTERIM COMMISSION

District Size, Structure and Equity – Findings

- Population decline leads to financial problems in small schools.
- Most rural high schools consolidate their extracurricular programs.
- Geography and travel time factors in # of small, rural schools.
- Current laws sufficient for voluntary district reorganization.
- Interlocal agreements, multidistrict cooperatives and budgetary flexibility help.
- Small rural districts must have access to broadband.
- MT Digital Academy can be effective and important for ensuring equality of educational opportunity to Montana's smaller districts and schools.

SCHOOL FUNDING INTERIM COMMISSION

District Size, Structure and Equity – Recommendations

- Further study is needed to develop a definition of “isolated and necessary school”.
- Technology should be leveraged for effective, efficient instruction to support equality of education opportunity.
- Further study is needed to ensure that unequal tax burdens on district do not impede equality of education opportunity.
- Legislature should ensure that the funding formula does not create financial disincentives to district annexation or consolidation.

SCHOOL FUNDING INTERIM COMMISSION

K-12 Health Benefits – Findings

This topic is complex, influx and requires in-depth study

Two basic, structural questions:

1. Will this be a new, separate plan established for K12 employees or will it utilize the existing state employee plan?
2. Will districts be required to participate or will it be optional?
 - once in/always in
 - once out/always out

SCHOOL FUNDING INTERIM COMMISSION

K-12 Health Benefits – Other Issues

- Will districts with existing self-insured plans be required to participate?
- How will collective bargaining agreements be addressed?
- How to fund initial costs, existing claims, premiums
 - amend 2-9-212, MCA, which reads in part “...a political subdivision, ***except for a school district***, may levy an annual property tax in the amount necessary to fund the contribution for insurance...”
 - Loan and line of credit from Board of Investments

SCHOOL FUNDING INTERIM COMMISSION

K-12 Health Benefits – Recommendations

[LC HLTH](#) – create an interim task force to study public employee health benefits

impacts on all local governments, including school districts

Task force membership (10):

- * 2 senators
- * 2 representatives
- * K-12 teacher
- * K-12 administrator
- * K-12 trustee or school business official
- * local or county government employee
- * local or county government elected official
- * representative of Montana taxpayers

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EDUCATION & LOCAL GOVERNMENT

K-12 Transportation Audit

- 2013 School Transportation and Safety Performance Audit [Report](#) (Legislative Audit Division)
- Recommendation #3: review reimbursement schedule based on bus capacity “to determine if changes are necessary to promote efficiency, simplicity or equity”.
- Legislative Services Division (LFD) prepared a [memo](#) providing information, which supports the notion that rates based on bus capacity aren’t supported by costs associated with running the routes.
- There may be a bill draft to change the reimbursement rates to one flat rate.

EDUCATION & LOCAL GOVERNMENT

Education Superhighway

- [Website](#): Mission: Upgrade the Internet access in every public school classroom in America so that all students can take advantage of the promise of digital learning.
- [Presentation](#) given to ELG on Sept. 8
 - Upgrading Broadband in Montana's K-12 Schools
 - Current standard: 100 kbps/student (80%)
 - 2018 standard: 1 Mbps/student (nearly all schools will need to upgrade)
 - Leveraging E-rate to connect more schools
 - \$7 million state matching funds would activate \$70 million in infrastructure upgrades from service providers
 - Darby School District – bringing fiber to community
 - Great Falls School District – bandwidth upgrade

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STATE ADMINISTRATION & VETERAN AFFAIRS

LC0030 Election Clean-up draft bill

- Proposed sections to require school districts to submit a copy of the election resolution and notice of cancelled election to OPI have been withdrawn.
- Amends election notice requirements in 20-20-204, MCA:
 - (a) the date and polling places of the election;
 - (b) the hours that the polling places will be open;
 - (c) each proposition to be considered by the electorate;
 - (d) if there are trustees to be elected, the number of positions subject to election and the length of term of each position; and
 - (e) where and how absentee ballots may be obtained; and
 - (f) where and how late registrants may obtain a ballot on election day.*

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