



Education and Local Government Interim Committee

60th Montana Legislature

SENATE MEMBERS

KIM GILLAN
BOB HAWKS
SAM KITZENBERG
RICK LAIBLE
DAVE LEWIS
JIM PETERSON

HOUSE MEMBERS

GARY BRANAE
WANDA GRINDE
ROBIN HAMILTON
BOB LAKE
BILL NOONEY
JOHN WARD

COMMITTEE STAFF

CASEY BARRS, Lead Staff
LEANNE HEISEL, Research Analyst
EDDYE MCCLURE, Staff Attorney
FONG HOM, Secretary
ALAN PEURA, Fiscal Analyst

MINUTES

December 14, 2007

Room 137, Capitol Building
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 a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT

SEN. KIM GILLAN
SEN. BOB HAWKS
SEN. SAM KITZENBERG
SEN. RICK LAIBLE
SEN. DAVE LEWIS

REP. GARY BRANAE
REP. WANDA GRINDE
REP. ROBIN HAMILTON
REP. BOB LAKE
REP. BILL NOONEY
REP. JOHN WARD

COMMITTEE MEMBERS EXCUSED

SEN. JIM PETERSON

STAFF PRESENT

CASEY BARRS, Lead Staff
LEANNE HEISEL, Research Analyst
EDDYE MCCLURE, Staff Attorney
FONG HOM, Secretary
ALAN PEURA, Fiscal Analyst

Visitors and Agenda

Visitors' list, Attachment 1
Agenda, Attachment 2

COMMITTEE ACTION

CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Hawks called the meeting to order at 9:35 a.m. The committee secretary took roll. Senator Peterson was excused. The minutes from the September 25, 2007 meeting were approved.

AGENDA

Recap of Subcommittee Meetings

K-12 Subcommittee Meeting

00:02:08 Sen. Kitzenberg gave a summary of the K-12 Subcommittee meeting held on Thursday, December 13, 2007:

- Facilities Inventory
- Kindergarten report
- Sen. Juneau's presentation on their Indian Education summit
- Oregon funding

Sen. Kitzenberg discussed what research the Subcommittee has asked staff to do (**EXHIBIT 1**).

Questions

00:09:03 Rep. Lake asked Sen. Kitzenberg if the subcommittee was looking at the idea of having the administrative staff based at one K-12 district but running several elementary schools outside the area. Sen. Kitzenberg said that they have discussed something similar to that and asked Mr. Barrs if that idea could be included in his analysis. **Casey Barrs, Lead Researcher**, said that it was agreed that staff would look at states that had models that created some weighting for rural schools with declining enrollment. Staff will also determine if those states have taken steps to encourage administrative efficiencies at the school district level.

PEPB Subcommittee Report

00:14:41 Sen. Hawks talked about the PEPB meeting held on December 13, 2007. Topics included:

- Agricultural agency report completed by the Advisory Panel on MSU agricultural issues
- Bitterroot Valley Community College
- Equipment and Program Development Report
- Community College Status Cleanup Bill
- Acknowledgment by the Board of Regents launching the Educational Delivery System
- Shared policy goals that PEPB worked on last interim

- Staffing issues within University System

HB 49 Subcommittee Report

00:22:28

Sen. Gillan gave a report on the HB 49 Subcommittee. Topics included:

- Looking at various statutes regarding special districts that could be consolidated
- Input received from local government officials
- The Subcommittee will move forward with consolidation of some special districts

Report of Second Year Funding - Jim Standaert, Fiscal Analyst, Legislative Fiscal Division

00:27:03

Mr. Standaert talked about the funding for schools in fiscal 2009 compared with fiscal 2008 (**EXHIBIT 2**).

Questions

00:46:03

Sen. Laible asked Mr. Standaert why there was a disparity between the numbers of enrollment and the ANB number? Mr. Standaert said that the ANB is higher than the enrollment. The reason is the adjustment for Pupil Instruction Related Days. If we didn't have that adjustment, ANB would be lower because ANB takes a half time student and only gives them a half ANB, whereas enrollment counts as the whole student.

Sen. Lewis asked if Mr. Standaert what the ANB number would be if he netted out the impact of going to full day kindergarten. Mr. Standaert said that full time kindergarten added about 4,000 to 4,500 new ANB.

In regard to lower funding in the second year of the biennium, Sen. Kitzenberg asked if there is any way to get around this without a special session? Mr. Standaert said that the districts themselves will have to deal with it. He is not sure what the Legislature can do short of a special session. The law is the law, and schools have to follow the law.

Sen. Kitzenberg said that he would like this committee to recommend that the Governor call a special session to deal with this problem.

Public Comment

00:58:16

Tom Bilodeau, Research Director, MEA/MFT, said that Sen. Gillan mentioned what this Legislature has done in recent years to mitigate potential property tax increases that would occur at local school district levels. Much of that goes back to the introduction of component funding into the General Fund budgets as well as the change in GTB, computation of formula basis. Without those we would have significant problems with a lot of school districts having difficulty in adjusting. Mr. Bilodeau said that the Quality Educator Payment was put into the funding formula to address the issues of recruitment and retention as well as bringing some balance into our school funding formula between a system that is overwhelmingly dependent on ANB enrollment count and the actual costs of operating schools in times of stable or declining ANB. He said that there is new information regarding teacher salaries. For the current fiscal year 2008,

MEA/MFT is projecting average teacher salary at \$42,500.

- 01:07:31 **Lance Melton, Montana School Boards Association**, said that 121 school districts will see no growth in their budgets. School districts are facing dire consequences in the coming fiscal year.
- 01:10:54 **Dr. Kirk Miller, Montana Board of Public Education**, commented on the significant deficits outlined by a report from Jim Standaert. The numbers that Mr. Standaert provided projected a 1% or 1.9% increase in enrollment at the high school and 4.3% increase in enrollment in the elementary. He talked about the ongoing dialogue with the AA Schools who serve approximately 40% to 45% of all students in Montana. He added that the cumulative deficit that currently exists under the model that Mr. Standaert presented is between \$8.5 and \$10 million.
- 01:15:34 Sen. Hawks asked Mr. Bilodeau if he had any sense of how much of the increased funding has flowed through to salary increases. Mr. Bilodeau said that if you look specifically at the last five years, you will see that school district budgets themselves are pushing up against maximum budget limits and are being inhibited in terms of their budget growth which inhibits salary growth. The salaries will consume a slightly greater share of general fund budgets overall, and as those budgets grow, if you put that into the calculation, salaries for classified staff in the schools, is another 7% to 8% of general fund budget. If you throw in administrative salaries, you will account for another 7% of general fund budgets; add in the costs of benefits paid for by the school districts that will be another 7 to 8%. Roll all those together, you will have total compensation costs consuming anywhere from 75% to 85% of your budget.

Public Comments on Subcommittees Reports

- 01:19:44 **Victoria Clark, Bitterroot Valley Community College Effort**, said that the Bitterroot Valley Community College has a website with a wealth of information about the college. She said that there is a PowerPoint presentation on that website that provides a thorough discussion of the local tax impact of the college. She said that the upcoming review of higher education, in lieu of the two-year education concerns, is significant and welcomed by the state's residents. She said that while the study is going on, the 40,000 residents of Ravalli County will remain without appropriate and affordable adult learning services.

BREAK

DISTANCE LEARNING PRESENTATION

- 01:33:52 **Steve Meloy, Executive Director, Board of Public Education** gave testimony on distance learning and dual enrollment (**EXHIBIT 3**).
- 01:49:26 **Lance Melton, Montana School Boards Association**, acknowledged that the original rule was too lax and did not guarantee quality. He said that anybody could teach a distance learning course regardless of their background or educational expertise. There are three groups of prospective providers of distance learning other than licensed and endorsed teachers: a person with no qualifications, a person properly licensed in another state with qualifications that

meet Montana's requirements, and a university professor. He said that there should be differentiated standards on ways to address the contemplation of accreditation for teaching distance learning courses.

01:55:21

Tom Gibson, Director, e-Learning Business Development, Montana University System, said that distance learning is something that will take on growing importance in terms of how education is delivered both on campus and off campus. Dual credit is important in the same vein that there is support for accountability and assurances of quality. He talked about the extensive process that faculty at the university go through when they are hired on campus (including background checks, felony checks and academic credentialing checks) that insures that when they offer a course as a faculty member of the Montana University System, they are doing it in the subject in which they have expertise. He said that consideration of alternative licensure for Montana University System faculty who are under the administrative control and oversight of campuses, and who are working in agreement on a day-to-day basis with the school districts is the right way to go. He added that alternative licensure may recognize the need for reciprocity. That reciprocity should be extended in a similar manner when we offer a high degree of control and accountability as well as quality in those dual credit courses that we are offering to high school students.

Questions

02:02:03

Sen. Laible asked Mr. Gibson if he knew how many students are taking dual credit courses from the University System or single courses from the university who are in high school? Mr. Gibson said that they had 163 students last year who took dual credit courses online from three of the higher education campuses.

02:03:20

Sen. Gillan asked if it would be possible to develop a compendium of approved Montana-based courses for dual credit that would be available to students. Mr. Meloy said that such a compendium was a good idea. As far as out-of-state providers go, he noted that during the hearing process, there wasn't one out-of-state private provider that had a problem with their rule as it was written. It seems that was that they didn't see a problem with their instructors who are licensed in other states to get a license in Montana. The \$6 that they charge is not a barrier to those private out-of-state providers. The compendium information is something that they need to take a look at.

02:09:00

Rep. Hamilton said that Mr. Gibson proposed two items: alternative licensure for university teachers and a reciprocal arrangement so that university could hire qualified high school teachers. He asked if this was a sticking point in the discussion? Mr. Gibson said that they have not had that specific discussion. They met in October and went through the list of issues that Mr. Meloy presented to the task force. This is a P20 issue, it is not K-12 nor higher education. The realistic side of it is they need to find a solution that doesn't require them to make a massive change or compromise or accreditation.

Rep. Hamilton asked if those suggestions are on the table. Mr. Gibson said that they have not even been formally put on the table to the task force at this point.

02:10:34 Rep. Ward said that his presumption is that higher education is truly higher education. Couldn't we say that high schools cannot offer dual credit unless it is provided by accredited colleges and accredited colleges presupposes that this can pass from college to college. **Mr. Gibson** said that the accreditation of the Montana University System campuses varies from campus to campus but there are some accreditation blankets as well. They have the ability to review and assess what happens underneath those accreditation blankets at the campus level so that they know the processes for faculty review, faculty hiring, faculty qualifications, all things that relate to filling those positions of those faculty members. Acceptance of an accreditation of another campus may or may not allow them to give those assurances to the Board of Public Education.

Roger Barber, Deputy Commissioner for Academic and Student Affairs, Office of Commissioner of Higher Education, said that accreditation of all the units in the Montana University System comes from the same entity, the Northwest Commission on Colleges and Universities, which is recognized by the U.S. Department of Education, and a part of that accreditation review is qualification of faculty. It is true that the qualification of faculty can vary based on the institutions' mission.

02:14:33 Rep. Lake described a situation in which one student has access to advanced courses as part of his curriculum and another student in a smaller school does not because of budget restrictions of that particular district, then asked Mr. Melton if the state should pick up the costs of providing that education to that student in the outlying areas. Mr. Melton said that the state needs to figure out a way to insure that high schools of all sizes in the state are able to provide an education that is in compliance with the accreditation standards.

Rep. Lake said if we have a student in one of the outlying areas that challenges us that we are not giving them the opportunity that the students in larger schools are getting, are we obligated to pick up the costs of providing a distance learning instructor to get that instruction to that child? Mr. Melton said that that is a complicated question because of local control. From his knowledge of school districts with smaller high schools, they are doing the absolute best they can to meet those accreditation standards with the resources they have and they are unable to do so. There is a potential violation of equality of educational opportunity.

02:20:17 Sen. Laible asked if the number of 274 e-Learning students in the state includes the 163 students that Dr. Gibson talked about who are enrolled in the dual system? Mr. Melton said that it did not. There are several programs that are using correspondence from BYU; there are school districts that are using class.com either as a supplemental tool to provide alternative learning, and there are students enrolled in dual credit courses. There are several hundred students that are receiving distance learning of one kind or another.

Sen. Laible said that this subject will be on the agenda for the next meeting.

Sen. Laible asked if each school district pay a certain amount to belong to the

Consortium? Mr. Melton said that they do. He said that the Bell South phone company did a study that suggested having a deliberate stream of funding for distance learning at \$250 to \$500 per pupil every year. He said that the Consortium program has been on a shoestring. Mr. Melton said that he can provide recent studies that estimate and survey what other states have done in trying to get distance learning courses up and running.

Sen. Laible asked Mr. Melton to provide information for the March meeting on:

- what was the number of students when they started distance learning;
- what is the Consortium's budget;
- how many school districts have signed up;
- what the licensure process is;
- if a teacher is licensed in another state for a particular curriculum, is there reciprocity in Montana so that we could use those teachers;
- find a simple process of background checks.

Sen. Laible said that the most important thing in this whole process is, how do we provide the services to the students in this state.

02:33:42 Dr. Kirk Miller said that distance learning and its delivery of technology-delivered learning is a business. If it costs \$500 for a semester class from MSCLC or the new University of Montana-delivered course and you can take a similar class for \$250 from APEX or from another provider, you will find that our school districts are opting to do that. That lead partially to the concern that the Board would have about the license being the one place where we do have the ability to have quality control as to who is delivering.

02:36:20 Rep. Ward asked Dr. Miller what he thought about college accreditation being a measure of quality assurance for the capabilities of the distance learning provider? Dr. Miller said that when Mr. Meloy gave his testimony on Distance Learning Task Force I, he knew that they had more work to do and that the dual credit issue would need to be revisited. They need to be consistent in how they are going to look at quality while allowing flexibility. He said that everyone will walk away from Distance Learning Task Force II with full resolution to the dual enrollment/dual credit issue.

Public Comment

02:38:58 **Darrell Rud, School Administrators of Montana**, said that school administrators, principals and superintendents are for strong licensure processes in our state. They agree with high standards and they agree that no Montana students should have inadequate e-Learning coming to them. There needs to be a filter. Their Delegate Assembly has a position statement opposing the current rule and will continue to work to fix the problem.

02:40:07 **Claudette Morton, Executive Director, Montana Small Schools Alliance**, said they worked hard on changes in the rules because of the concern that there were some private groups who were not providing quality programs. She said that APEX, which is the distance education program that provides the college credit for Advanced Placement, has agreed to pay for licensing their teachers. One of

the reasons that she comes before the Committee is that it is important to find out what the Consortium is offering and has offered. The Office of Public Instruction should provide the numbers and the people through the years who have been providing distance education. She is pleased to see that the issue of dual enrollment and dual credit with the University System is working but she would submit to the Committee that if we are going to provide quality education for our students, it does not all reside in Montana, that in this day and age, we have to look at opportunities for our children and they are not all within the geographical borders of Montana.

Post Secondary Correctional Education - Sheila Stearns, Commissioner of Higher Education, OCHE

02:45:43 Ms. Stearns talked about a project by two law students last year on education in the correctional system. Ms. Stearns talked about what is happening in the correctional system of providing post-secondary education to inmates. She concluded that either she or a member of her staff would be glad to be part of a bulldog group to bring highlights of this research to the Committee and perhaps the beginnings of a recommendation for the state of Montana.

02:51:28 Sen. Laible said that he would like to have Rep. Ward and Sen. Gillan work with Commissioner Stearns or her staff and report to the Committee in March.

LUNCH

03:28:16 The meeting reconvened at 1:00 p.m.

03:29:23 **Gail Lambert, Administrator, Montana Correctional Enterprises, Department of Corrections**, talked about Montana Correctional Enterprises which is in charge of the training and vocational education work opportunities for offenders in the correctional system

Questions

03:31:12 Rep. Lake asked Ms. Lambert if the delivery system was online or done in a classroom setting. Ms. Lambert said that there were no online courses offered at any of the correctional facilities. The Montana State University-Billings has contracted with teachers with certified work skills to teach classes onsite.

Rep. Lake asked Ms. Lambert if there are any considerations of offering online courses or is that another twist in the challenge of the population you have and not being able to control it. Ms. Lambert said that that is something that is under the Department of Administration policy where no offenders can get online on computers. They are looking to do more of a service base where it can be assimilated online.

03:33:21 Rep. Branae asked Ms. Lambert if she knew what the timeline was for renewing the grant. Will they be looking at other funding sources? Ms. Lambert said that they have been renewing the grant for the last five years. The grant they have just received is for one year and renewable for up to five years.

03:34:35 Sen. Laible asked if Ms. Lambert know the amount of the grant and how the University System is compensated. Ms. Lambert said that the amount of the grant varies. She said that the University System does a billing based on a number of inmates. The grant is specific on how much money can be spent per inmate per year, and they bill per inmate for tuition, books and supplies.

03:36:43 **Sen. Kitzenberg moved that the Education and Local Government Interim Committee recommend to the Governor that he consider calling a one-day Special Session to deal with school funding in the current biennium. Rep. Nooney seconded the motion.**

Committee Discussion

03:41:42 Rep. Lake said that finding a solution to the school funding issue is too huge to be able to be dealt with in a one-day special session and looking at a special session is a little premature.

Sen. Laible commented that based on his meeting with Sen. Kitzenberg earlier, he thought that Sen. Kitzenberg was going to make a motion that the Committee expand upon Item 4 of the Work Plan to include investigation of what other states are doing for small rural schools with declining enrollments. He said that calling for a special session is not part of the ELG Work Plan and that he agrees with Rep. Lake. It would be premature. Sen. Laible said that the Committee should proceed forward with what he thought Sen. Kitzenberg's original motion was going to be, and in March have a discussion about having a special session.

Sen. Hawks said that the subject of the motion is timely because as budgets unfold, there has to be dependable financial support for those budgets early in the year. If there is a special session solution, it will take everyone at the table to do it. He recognizes the need to get people's attention with this approach but he does not think that this is the best thing to do politically. Leadership needs to be brought in, as well as the Governor and OPI. The question before us is, do we need a subcommittee of some sort to make those contacts and express the urgency of it and try to get the ball rolling. For that reason, he said that he would not support the motion as stated, but certainly supports the intent.

Sen. Kitzenberg said that he was hoping that the Committee would recognize that there is a problem and he wanted to begin a dialogue. He feels that having a discussion in March is too late.

03:52:41 Sen. Lewis said that he will vote for the motion on the basis that we need to give the Governor a message from this Committee that we think it is an issue of the magnitude to require a discussion of a special session.

03:54:10 Sen. Laible recommended that the Committee first look at what Sen. Kitzenberg's original motion was going to be, have some information from staff on other state models at the March meeting. If Sen. Kitzenberg wanted to make a recommendation for a special session, the Committee could request that the Governor's office and leadership be present to hear the recommendations on how to find solutions for the school funding problem.

Rep. Lake said that he doesn't have a problem if the subcommittee which Sen. Kitzenberg chairs approaches the Governor as to the possibility of a special session to deal with this issue. Personally, he does not believe that he can support a just call for a special session without further study time, without additional input from other sources, and without a solution.

03:59:14 Sen. Laible asked Ms. McClure how long would it take to get ready for a special session. Ms. McClure that the Legislative Services Division would need time to gear up for a special session because of updates to the database system. She said it would also depend on what it is that the special session wants to accomplish.

04:03:37 Sen. Laible asked Mr. Standaert if there was a quick fix funding wise to target those areas that really need the funding level and could we have a road map to that by the March meeting? Mr. Standaert said that there are many ways to go, you could raise the entitlements across the board which will help all schools but that will cost money.

Sen. Laible asked staff whether a full study to solve the education funding problem in a one-day session could be ready to launch by March? Mr. Standaert said that even if you only looked at a rural school component, the costs of putting a component like that in a formula, that would be hard to do by March.

04:13:21 There was a roll call vote on Sen. Kitzenberg's motion (**ATTACHMENT 3**). The motion **failed** 9 to 3 with Sen. Gillan, Sen. Hawks, Sen. Laible, Sen. Peterson (by proxy), Rep. Branae, Rep. Grinde, Rep. Hamilton, Rep. Lake and Rep. Ward voting no; and Sen. Kitzenberg, Sen. Lewis and Rep. Nooney voting yes.

529 College Savings Plans - Alan Peura, Fiscal Analyst, Legislative Fiscal Division

04:13:59 Mr. Peura gave a brief report addressing the Montana Family Education Savings Program (**EXHIBIT 3**). He discussed questions that were raised regarding the 529 college savings program:

- Must the Montana 529 program be attached to and administered by a state government entity and if so, why was the Montana Board of Regents selected?
- How much has the Montana 529 tax deduction cost state government in tax expenditures that reduce overall income tax revenue?
- What is the tax bracket profile of those Montana taxpayers who claim this income tax deduction?

04:18:37 Ron Muffick, Associate Director of the Guaranteed Student Loan Program, and Robin Graham, Chief Financial Officer, were present to answer any questions the Committee might have on the 529 program.

Questions

04:19:07 Sen. Gillan asked if Mr. Peura had any data for 2006. Mr. Peura said that this is information that is put out by the Department of Revenue and they only have data up through 2005.

Sen. Gillan said that she would like someone to comment on why there has been a decline in the number of people in the 529 savings program. Mr. Muffick said that their numbers show that they have grown from 16,000 to 18,000 in the number of participants.

Sen. Gillan said that you can invest in other states' 529, but then you don't get the Montana tax break. Her question is, is there a federal statute that allows Montana to have an administering agency but instead of having their own pool, that the state would join forces with another state's pool? Mr. Peura said that they did briefly talk about that as one of the options if the Legislature wanted to address some of the issues that would require some statute changes. He said that federal statute allows for states to pool and have a program that is multiple-states. Mr. Muffick said that Oregon and Colorado were two states that had expressed an interest in doing that. The complication is that the current statute requires that the Montana 529 Plan have a local administrator, which at this time is the Board of Regents, so that any consideration to partner with another state would require a statute change to allow a nonlocal administrator.

04:24:04 Sen. Gillan asked if any Legislative audit has ever been conducted on the 529 Plan? Robin Graham said that there was a comprehensive audit done by the Legislative Audit Division on the Office of Higher Education, and included in that was a review of the 529 Plan, which was completed for Fiscal Year 2006-2007.

04:25:04 Rep. Grinde said that one of the biggest concern was not being able to offer these plans through a private investor. She said that as a function of the federal statute, a private investor company would not be authorized to sell the 529s independently. Mr. Muffick said that there is some confusion between having an administrator from the state or having the investments being offered to private brokers; College Savings Bank is their administrator and Pacific Funds is the mutual fund portion, which are sold through local brokers. Rep. Grinde asked if there was a question as to why there was only one person bidding on that? Mr. Muffick said that the pool of assets in Montana doesn't attract other entities.

04:37:11 Rep. Lake said that he would like a committee bill that would expand the opportunity for investing into a fund to go outside the state. Sen. Laible wanted Mr. Peura to put together the options and impacts and bring that to March meeting.

04:40:10 Sen. Gillan asked if Mr. Peura might look at other states and see whether they are getting more middle income people investing in these and if so, what are they doing that we are not doing.

Treasure State Endowment Program - Jim Edgcomb, Manager

04:44:06 Mr. Edgcomb talked about the status of startup conditions of 2009 Biennium TSEP projects (**EXHIBIT 5**). The next document listed the problem projects from a funding standpoint (**EXHIBIT 6**) and the status as of November 26, 2007. Mr. Edgcomb said that his briefing paper on startup conditions contained in the TSEP funding bill (**EXHIBIT 7**) discusses two conditions: firm commitment of funds and the provisions that limits their ability to change the scope of work on a project.

Mr. Edgcomb told the Committee that they are currently advertising for a second engineer to allow them to complete the technical review of their applications inhouse. They have also proposed changes to their application guidelines. A hearing was held and comments will be taken on the proposed guidelines until December 20, 2007. He said that the proposed changes can be found on their website.

Public Comment

None at this time.

Montana Quality Education Coalition - Tom Cotton, Chairman of the Board of Directors, and Dr. Mike Nicosia, Superintendent, Columbia Falls Public Schools

04:54:00 Mr. Cotton said that the Montana Quality Education Coalition's (MQEC) intent is to talk about the issues facing education in Montana. He said that MQEC has information that they would like to give the Committee. He said that MQEC's mission is to work with the Legislature, the Governor's Office, and OPI to provide adequate, sustainable, and long term funding solutions for K-12 education in Montana.

Dr. Mike Nicosia talked about data found in budget projections (**EXHIBIT 8**) that the Montana School Boards Association, the Montana Rural Education Association, and the Montana Quality Education Coalition had compiled. Their members were asked to look at increases for teachers and classified staff for the previous three years; look at health insurance benefits for a three year average; use the CPIU of 3.2% for all items that weren't personnel related; and look at the savings they had through retirements over the last three years. The spreadsheet tells you what these school districts will look like if they are operating with salary increases, benefit increases, and increases in nonpersonnel costs.

Questions

05:12:49 Sen. Gillan asked if any of the figures in the last column, Surplus (deficit) without a Vote, factor in the fact that because enrollments are declining, some expenses will go down. Are they adjusted for that at all? Dr. Nicosia said that they would be adjusted for that. There is a attrition factor when they look at the retirement savings and that would play into that.

05:15:29 Sen. Laible asked if MQEC has any ideas regarding possible future litigation. Mr. Cotton said that at the time he doesn't apologize for the lawsuit and MQEC's role in that. It was necessary to focus on the problem that education faced in the state. MQEC's hope is that if this body wants to fix the problems of education that everyone will come together to get a long term adequate, sustainable solution for K-12 education.

Sen. Laible said that one of the frustrations from a legislator's point of view on funding of education is the question of how much more do you need? And the answer was, we don't know, just more. He wants an answer not of "just more" but "here's how we plan to get there." Mr. Cotton said that he has hit on an issue that is really right at the crux of the problem, but his answer to him would be, look

at your own definition of what quality education contains and start from that point.

05:26:30 Sen. Lewis said that he is concerned about what is going to happen in 2009. He said that there has been some progress made, but when he looks at the numbers for 2009, a lot of school districts will be sliding backwards unless something is done. Mr. Cotton said that there isn't any question that we are in a regressive mode.

Public Comment

None at this time

Other Committee Discussions

05:29:25 Sen. Laible said that he would like two members from this Committee to interface with what the Legislative Finance Committee is doing in regards to the TSEP challenges. He said that he would like to request that Sen. Lewis and Rep. Branae be the two representatives from this Committee to keep an eye on what the Finance Committee is doing and talk to staff to see how we can interface with that.

05:30:33 Sen. Laible said that as of the K-12 Subcommittee meeting we had yesterday, there were three items proposed for the next round of research as part of Item 4 of the ELG Work Plan -- challenges facing rural schools. He said that he would like the Committee to approve the expansion of the Work Plan to include:

- identifying two additional neighboring states that have had explicit components in their funding formulas which provide support expressly to rural schools and also schools that face declining enrollment;
- request that the Legislative Fiscal Division determine the budgetary impacts of supplementing Montana's current schools funding with selected components;
- at the March meeting, the subcommittee consider whether said components seem appropriate for Montana and its legislative attention; and
- while researching the selected state, pursue the question, "What has a given state done, if anything, to encourage greater efficiencies in district level school administration."

Sen. Laible said that these are some of the items that he would like the committee to keep moving forward on.

Sen. Hawks commented that the Oregon system has gone through some failures. He wanted to know what it is that the Committee is studying about the Oregon system. Sen. Laible said that they looked at an Executive Summary of the Oregon Plan and how it affects rural schools. The reason he used this is because that was on the ELG's original Work Plan and taking that a step further, looking at how we can do some of these things that deal with rural schools and with declining enrollments.

Mr. Barrs explained that the Committee is looking at one explicit component of the Oregon funding formula. We know their statutory definition of small schools and the extra weighting such schools are given in funding. We are looking at

Oregon and other states. The Legislative Fiscal Division will pick those for which it is possible to run Montana numbers and determine the theoretical impact here.

Rep. Hamilton said that he is interested in the Oregon system for one additional reason. Oregon has just passed a law adding teachers to the state retirement plan.

05:37:18 Sen. Laible said without further objection, we will add the health insurance as a component and have something for the committee to review.

Performance Measurements for Education - Kris Wilkinson, Fiscal Analyst, Legislative Fiscal Division

05:38:58 Ms. Wilkinson gave an update on the process which the Legislative Finance Committee is undergoing (**EXHIBIT 9**). The Legislative Finance Committee (LFC) would like included a process for performance measurement in the budget.

Public Comment

05:49:02 **Claudette Morton, Montana Small Schools Alliance**, said that the only thing she would mention is the issue of student content standards. She said that the deficiencies are not in teaching the content, the deficiencies are the personnel teaching the content, not having to certify or endorse people.

County Clerk and Recorder Fees for Vital Statistics - Sen. Laible

05:50:25 Sen. Laible talked about the correspondence between Montana Association of Counties and the Department of Public Health and Human Services regarding the assessment of new fees where it seems that the Department wants to change the fee structure. He said that within statutes, the fees are already set. He said that he wanted the Committee be made aware of this issue. He considers this to be a local government issue. He spoke with both MACo and DPHHS, and they are willing to work together to find a solution and report back at one of the future meetings so that the Committee could look at it.

Public Comment

05:55:03 **Lauri Lamson, Administrator, Business and Financial Services Division**, said they proposed it as a matter of trying to set a uniform fee as is required under their statutes. She said that there are federal and state requirements for having an office of vital statistics for collecting data and maintaining that data. Their goal was to have fees set so that any Montana resident can go into any office and pay the same amount for services. They are trying to work with interested parties and come up with a magic number for fees so that it is reasonable and acceptable to the public, covers the costs of the services, and is the same no matter what office you go into to get the services.

Public Comment

05:57:54 **Bruce Messinger, Superintendent of Helena Public Schools**, commented on the remedy committee which he chairs for the Montana Quality Education Coalition. He would welcome any interest from members of this committee in either making suggestions to our group or even sitting in any of their discussions.

Instruction to Staff

05:58:58 Rep. Grinde made a request to get the agenda a little earlier so that those who have to travel can make advance arrangements.

Rep. Lake wished everyone a very Merry Christmas and a Happy New Year.

Adjournment

06:00:26 Sen. Laible adjourned the meeting at 3:36 p.m.

CI0425 8059fhxa.