



# MTSBA

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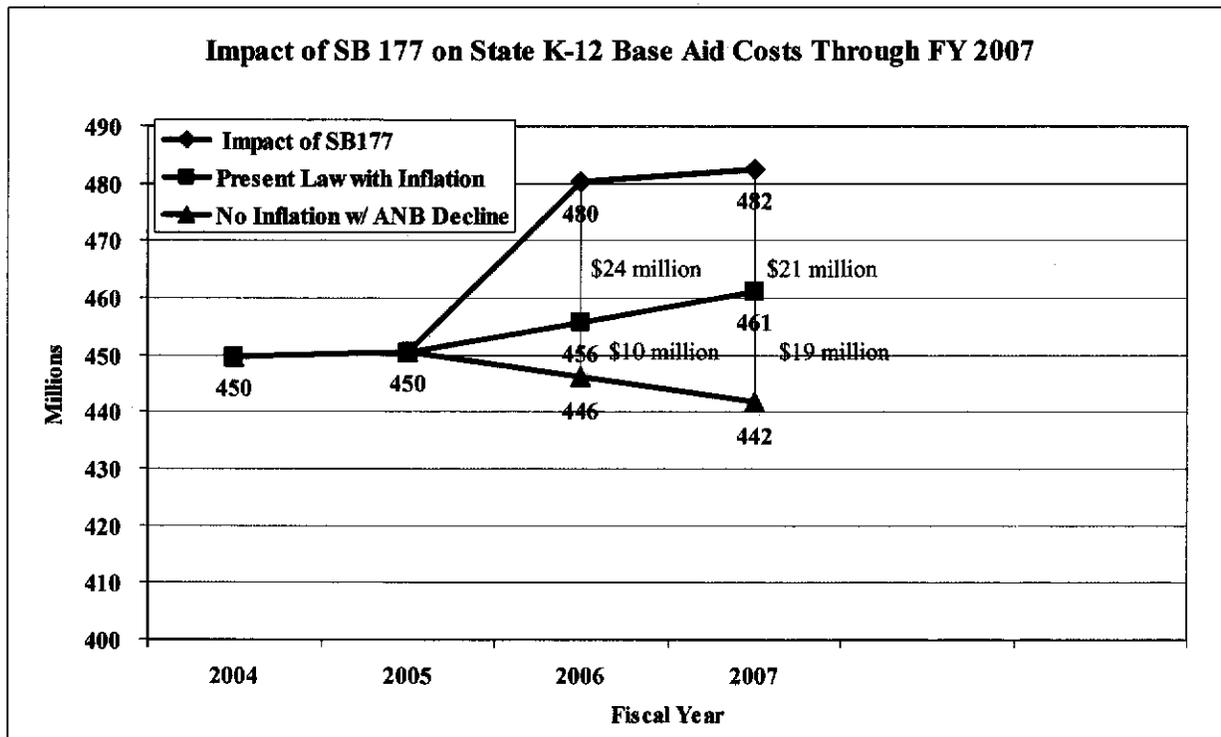
TO: House Select Committee on Education Funding

FROM: *Lance L. Melton*  
 Lance L. Melton, Executive Director  
 Montana School Boards Association

RE: SB 177

DATE: Thursday, March 10, 2005

The Montana School Boards Association appreciates Senator Ryan's introduction of SB 177. It is important to note that an entitlement bill is necessary to fund the increases in the Governor's budget, and that is the sole basis upon which we support SB 177. SB 177 is not, however, adequate to address the harm that public schools have faced for several years and which they will continue to face without additional funding beyond that proposed in the Governor's budget at this time. The following is a chart showing the impact of present law adjustments and SB 177 on state funding of K-12 BASE Aid for the next two years:



The amounts referenced above are the true state picture in terms of what SB 177 will do for schools in the two coming years. If you compute it according to the funding compared to FY04

funding levels X 2, it is a \$30 million increase in year 1 (\$480 million compared to \$450 million), and an additional \$2 million beyond that in year 2. Since the biennial cost of a first year increase is always double (\$30 million X 2 = \$60 million), the total biennial increase will be \$62 million.

How does this role out in each school district across the state?

The Office of Public Instruction has provided us some data on SB 177 on a district by district basis, both FY06 and FY07. The FY07 data is based on estimated trends in enrollment in each district that could occur between FY06 and FY07, so it is not as certain as the first year data. Nonetheless, what it shows is not pretty. There are some fairly easy to identify trends in the data:

1. With some notable exceptions caused by enrollment swings in very small districts, the first year funding in SB 177 provides some measure of relief for elementary districts that corresponds with ordinary inflationary costs, typically enough to pay steps and lanes and inflation on existing expenditures, but not enough to add much to the BASE or to grow services or programs.
2. The picture for high schools is fairly bleak. Unless a school district is enjoying additional funding through additional students, high school districts generally do not have enough to cover ordinary inflationary costs in the first year.
3. In both elementary and high school districts, any extraordinary increases in costs (for, say, utilities or health insurance) will require substantial cuts even under the first year numbers of SB 177.
4. The second year numbers look ugly pretty much across the board. Virtually any district that can grow its budget in FY06 would have to scale it back in FY07 when the SB 177 numbers default back to present law.
5. On average this means growth in year 1 (or at least maintaining pace with ordinary inflation) for elementary districts and then cuts in corresponding amounts and percentages in FY07.
6. For high school districts, it means cuts in both years. For elementary districts and high school districts without the prospect of a successful levy, it means cuts in existing programs.

MTSBA has broken the analysis of impact down in the spreadsheet to the impact on equalized districts (including soft caps districts that will become equalized under SB 177 amounts), soft cap districts that will remain above maximum (if their voters approve) under SB 177 amounts, and districts that have always been disequalized. Each of these categories is under a separate worksheet that we have posted on our website. If you care to review the spreadsheet in detail, you can download and view at [www.mtsba.org/2005legislature/districtbydistrict.xls](http://www.mtsba.org/2005legislature/districtbydistrict.xls).

All of the points above are referenced "on the average" and there are some fairly numerous exceptions to the points above that can be gleaned from a district by district analysis of the actual impact of SB 177 on school districts in specific circumstances. The following page, for example, contains a partial list of the school districts that will actually see a reduction in their FY05 adopted budget in FY06, even with the larger increases in SB 177 in the first year:

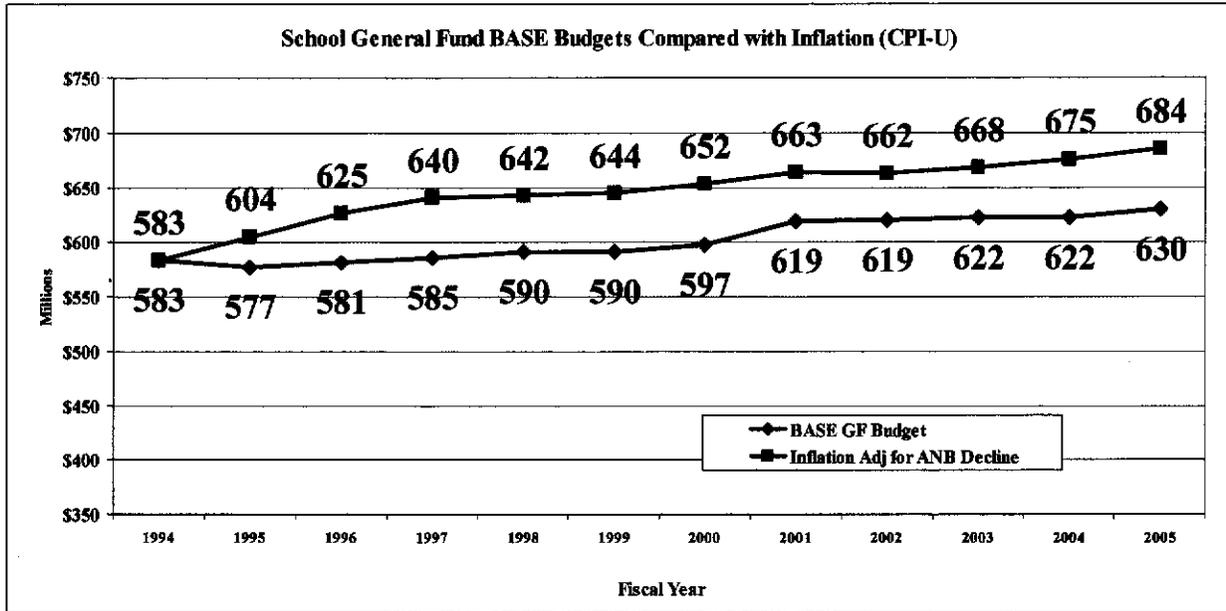
District	Equity Status	FY05 Adopted	SB 177 Budget W/O a Vote For Equalized Districts, FY06	Percentage Increase in Budget Without a Vote, FY05 to FY06
Twin Buttes Elem	Equalized	59,159	45,861	-22.48%
Yaak Elem	Equalized	67,517	59,216	-12.29%
Boyd Elem	Equalized	70,938	62,235	-12.27%
Swan Lake- Salmon Elem	Equalized	54,176	48,156	-11.11%
Turner H S	Equalized	403,691	364,041	-9.82%
Craig Elem	Equalized	57,035	51,433	-9.82%
Dodson H S	Equalized	464,386	421,553	-9.22%
Sylvanite Elem	Equalized	66,372	61,045	-8.03%
Landusky Elem	Equalized	67,041	62,217	-7.20%
Whitlash Elem	Equalized	48,113	45,486	-5.46%
Raynesford Elem	Equalized	76,000	72,023	-5.23%
Van Norman Elem	Equalized	36,426	34,534	-5.20%
Morin Elem	Equalized	191,008	184,683	-3.31%
Rosebud H S	Equalized	441,416	427,303	-3.20%
S H Elem	Equalized	43,271	41,943	-3.07%
Judith Gap H S	Equalized	460,705	447,196	-2.93%
Lodge Grass H S	Equalized	1,066,672	1,036,262	-2.85%
Spring Creek Colony Elem	Equalized	71,697	69,724	-2.75%
Big Dry Creek Elem	Equalized	46,694	45,435	-2.70%
Noxon H S	Equalized	933,006	915,438	-1.88%
Frazer H S	Equalized	463,553	457,064	-1.40%
Alzada Elem	Equalized	65,898	64,990	-1.38%
Augusta Elem	Equalized	430,791	425,179	-1.30%
Auchard Creek Elem	Equalized	128,977	127,328	-1.28%
Box Elder H S	Equalized	649,211	641,822	-1.14%
Pryor Elem	Equalized	328,187	324,723	-1.06%
Fromberg H S	Equalized	562,438	558,551	-0.69%

In the second year, the shortfall for schools is even greater, with an average increase across the state of approximately 1.25% without a vote when compared to the FY06 budget without a vote. Again, if you dig deeper, you will find exceptions to this general rule and find school districts that will have to reduce their existing budget in the second year of the biennium, including the following representative sample:

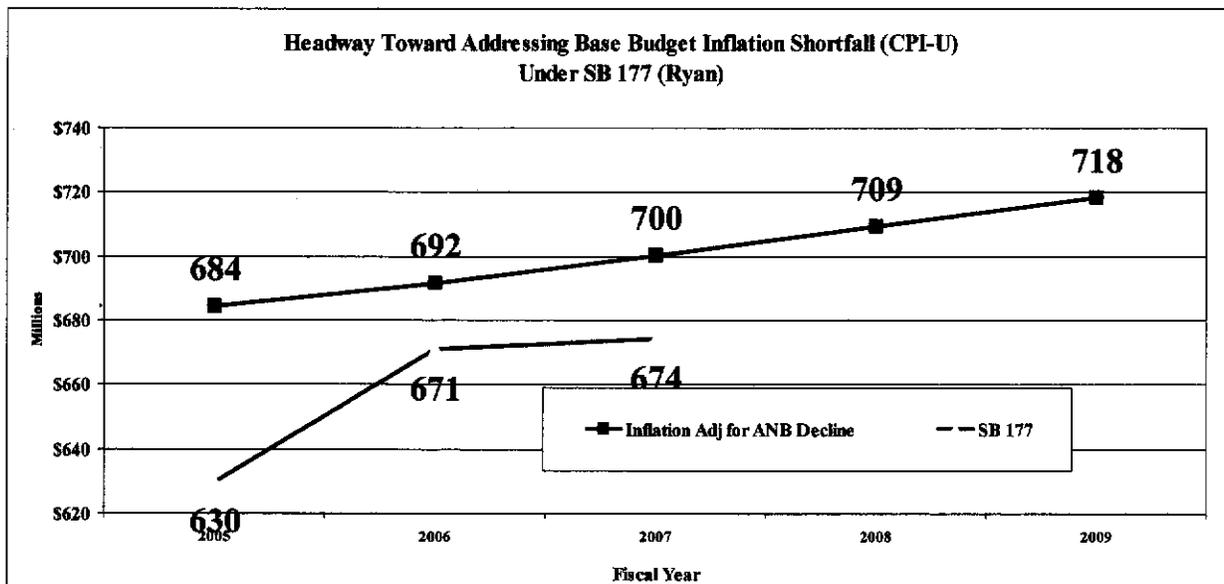
District	Equity Status	SB 177 Budget W/O a Vote For Equalized Districts, FY06	SB 177 Budget W/O a Vote for Equalized Districts, FY07	Percentage Increase in Budget Without a Vote, FY05 to FY06
Libby K-12 Schools	Equalized	7,715,747	7,619,848	-1.24%
Wolf Point H S	Equalized	1,990,070	1,945,293	-2.25%
Lavina K-12 Schools	Equalized	770,106	725,581	-5.78%
Frazer Elem	Equalized	478,287	439,895	-8.03%
Lame Deer Elem	Equalized	1,613,107	1,575,837	-2.31%
Lame Deer H S	Equalized	1,049,811	1,019,442	-2.89%
Judith Gap Elem	Equalized	311,560	288,828	-7.30%
Grass Range Elem	Soft Caps - will be equalized under SB 177 Increases	355,441	333,296	-6.23%
Brockton Elem	Equalized	561,155	539,103	-3.93%
White Sulphur Spgs Elem	Soft Caps - will be equalized under SB 177 Increases	1,108,588	1,089,472	-1.72%
Whitehall H S	Equalized	1,228,128	1,212,014	-1.31%
Roundup H S	Equalized	1,276,393	1,260,465	-1.25%
Heart Butte H S	Equalized	585,307	571,819	-2.30%
Bynum Elem	Equalized	158,705	145,303	-8.44%
Turner Elem	Equalized	308,962	296,451	-4.05%
Olney-Bissell Elem	Equalized	418,073	405,704	-2.96%
Clinton Elem	Soft Caps - will be equalized under SB 177 Increases	1,094,809	1,082,456	-1.13%
Shields Valley H S	Soft Caps - will be equalized under SB 177 Increases	838,210	826,279	-1.42%

The Governor has called the increases in SB 177 "historic." MTSBA measures what is historic, appropriately, by history and it is history that demonstrates why SB 177, though a valiant

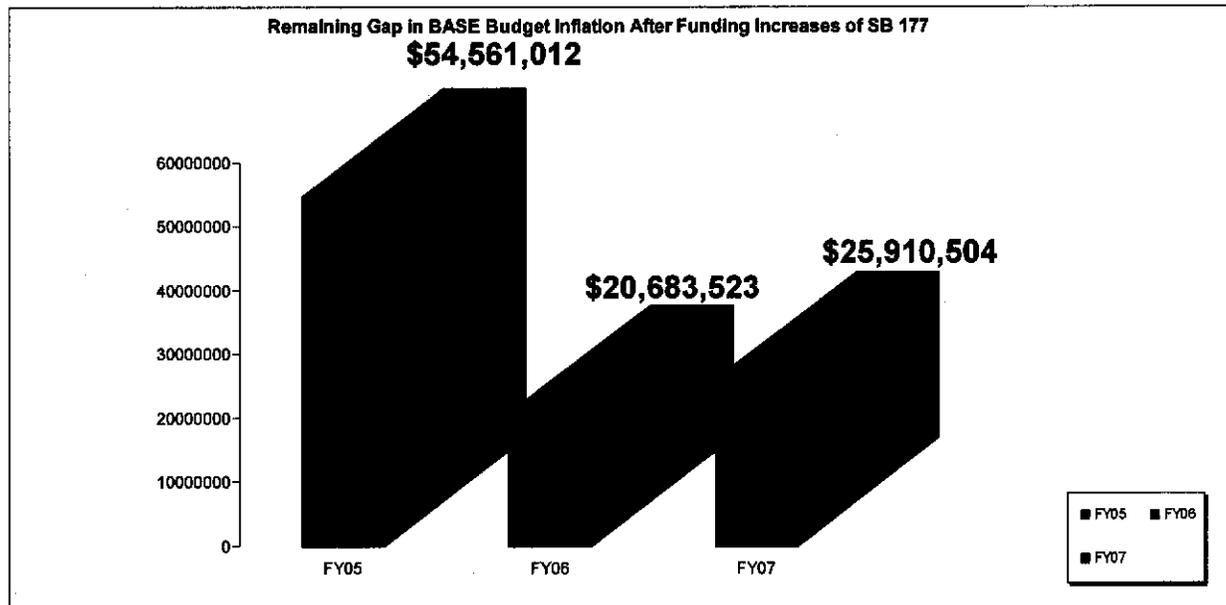
attempt, is inadequate to address the needs of school districts in the 2007 biennium. Much of the reason for the current lawsuit and decision confronting the Legislature arises out of a historic failure by the Legislature to maintain pace with the rate of inflation in funding K-12 public education in Montana. The following is a chart that demonstrates the shortfall since passage of HB 667 in 1994:



It should be noted that the \$54 million gap between the statewide BASE budgets of school districts and inflation would be an even larger gap if computed from 1991 levels forward. Even if you consider the 1994 funding levels an appropriate starting point, the chart above shows a significant slide in adopted general fund budgets over the last decade + that represents a biennial shortfall of \$108 million when compared to FY04 funding levels. The following chart demonstrates what SB 177 does to address history:



The following chart demonstrates the remaining "historical" shortfall that is unaddressed by SB 177:



**Summary:**

If the Legislature is to embark upon a course to solve the funding problems facing its public schools, it will have to act deliberately to address the costs of the basic system of free quality public schools as currently defined by this Committee in SB 152. As it approaches that task, it must first confront and address the recent historic slide in comparison to inflation as a first step. That will not necessarily address all of the problems, but it will give the Legislature the luxury of starting its work in funding schools according to the definition in SB 152 knowing that it is funding schools as it intended when it first passed HB 667 in 1993. SB 177 provides the Legislature with one of few remaining vehicles by which it can fund schools and address the shortfall referenced above. If the shortfall above is addressed, the state can truly take credit for a "historic" increase that will better preserve the basic system of free quality schools that we have in place at this time.

MTSBA appreciates Senator Ryan's efforts in pursuing increased funding for our schools, and hopes that the House Select Committee on Education Funding will use SB 177 carefully to ensure that necessary funding and language adjustments to the formula are implemented to ensure that the needs of Montana's schools are met.

Thanks