

**MINUTES**

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

**JOINT SELECT COMMITTEE ON EDUCATION FUNDING**

**Call to Order:** By **CHAIRMAN DON RYAN**, on March 14, 2005 at 8:05  
A.M., in Room 102 Capitol.

**ROLL CALL**

**Members Present:**

Sen. Don Ryan, Chairman (D)  
Rep. Bill E. Glaser (R)  
Rep. Holly Raser (D)  
Sen. Bob Story Jr. (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Connie Erickson, Legislative Branch  
Eddy McClure, Legislative Branch  
Lois O'Connor, Committee Secretary  
Jim Standaert, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Discussion on Education Funding.

**SEN. DON RYAN, SD 10**, introduced **Russell Bean, Superintendent, Augusta Public Schools**, who provided an overview of cost estimates in small rural schools. He also provided information on elementary staffing and cost justifications, information on what constitutes a "classroom unit", information on the cost of one rural classroom based on various funding levels, and information on staffing a classroom unit.

[EXHIBIT \(jes56a01\)](#)

[EXHIBIT \(jes56a02\)](#)

[EXHIBIT \(jes56a03\)](#)

[EXHIBIT \(jes56a04\)](#)

[EXHIBIT \(jes56a05\)](#)

[EXHIBIT \(jes56a06\)](#)

[EXHIBIT \(jes56a07\)](#)

*{Tape: 1; Side: A; Time Counter: 18.4}*

**SEN. RYAN** asked if all of the items listed under maintenance and miscellaneous were coming out of the school's general fund. **Mr. Bean** said, yes, and most of them are county taxes that the school pays. The light fees come from the street lights around town. The County decided that it could no longer afford the fee so it assessed the locals. Since the school has a large percentage of the property in a small town, it pays approximately 20% of the total lighting assessment for Augusta. **SEN. RYAN** asked if the school was able to permissively levy any mills to cover some of the fees. **Mr. Bean** said not in the general fund items. The only thing that the school can do permissively is transportation, and 20% of his salary comes out of the transportation fund because he is also the transportation director, and often the bus cleaner.

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**Joan Anderson, Office of Public Instruction (OPI)**, asked if the kitchen/lunch costs were general fund costs or costs outside the general fund. **Mr. Bean** said that Augusta's lunch program costs much more money than the amount shown. The figure is what is pulled out of the general fund on an annual basis to subsidize the lunch program.

**Mr. Bean** said one of the big questions is what constitutes a classroom unit. The accreditation standards tell schools how large a class can be, but they do not tell how small a class can be. He said if Augusta's combination classes got below 8, he would combine more classes.

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**SEN. RYAN** asked if Augusta had problems recruiting and retaining teachers. **Mr. Bean** said when advertising for a teaching position, particularly in the high school elective courses, he receives very few applicants. Although he receives many inquires, he tells them that the base salary is \$19,800 and tops out at \$36,000 if a teacher has been there 16 years and has a Masters+1, the applicant cannot afford to come there. Typically, he replaces two teachers a year.

**Ms. Anderson** asked what factors are affecting custodial and maintenance costs. **Mr. Bean** said that the number of students in a building is going to drive the costs up because of insurance and utilities. However, custodial and maintenance staff are based upon 25,000 square feet. The costs also include outside ground work.

*{Tape: 1; Side: A; Time Counter: 27.0}*

**Jack Copps, MT Quality Education Coalition (MQEC)**, asked at what percentage of the maximum allowed by law is Augusta's general fund budget. **Mr. Bean** said that the high school is at 100% and the elementary is slightly under 100%. Even with the 2.1% increase that the 2003 Legislature built in automatically, Augusta will lose \$73,000 in its elementary budget. **Mr. Copps** said if Augusta had to cut back its budget to the 80% level, it would be in serious trouble and unable to provide a meaningful education at the minimum level.

**SEN. RYAN** asked about the total cost to cover a family with health insurance. **Mr. Bean** said that family rates are approximately \$860 and the single rate is approximately \$332. Families cannot afford the family coverage, not even the young teacher with a spouse, because Augusta cannot afford to pay them enough money.

*{Tape: 1; Side: B; Time Counter: 6.5}*

**Madalyn Quinlan, OPI**, asked how charging the cost of retirement to federal programs affected the school. **Mr. Bean** said that it adversely affected Augusta's Title 1 staffing budget for at-risk and special education students.

**SEN. ROBERT STORY, SD 30**, asked if Augusta had enough money in its maintenance fund to cover deferred maintenance. **Mr. Bean** said fortunately Augusta has a building reserve that the voters approved five years ago. The boiler and steam heating system must be replaced at the high school at a cost of \$150,000, and he has to get an intercap loan to help pay for it while the rest of the building revenue comes in. **SEN. STORY** asked how much a mill levy

was worth in Augusta. **Mr. Bean** said the elementary is \$2,300 and the high school is \$2,500. The reason that Augusta cannot be a K-12 district is that the boundaries are not identical because of a Hutterite Colony that sits in the middle of the districts.

**Jim Standaert, Legislative Fiscal Division (LSD)**, asked how much the mill levy was at the Hutterite Colony. **Mr. Bean** responded that the taxable value of Augusta's high school district is \$2.6 million and the elementary is \$2.3 million, meaning the Colony's taxable value is \$300,000.

**SEN. STORY** asked if Augusta had any nonlevy revenue other than its block grants. **Mr. Bean** said that it did in the past, but the county took it all and it does not give any back. Currently, its total nonlevy revenue is approximately \$15,000, not including federal revenue.

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**Mr. Standaert** asked what **Mr. Bean** thought of a budget-funding model that is not only based on fixed and variable costs but also based on the characteristics of the students, such as the at-risk and special education students. **Mr. Bean** said that high-cost students can be devastating to a small school because they are funded solely on over-all enrollment. He felt that special education funding should be based on the number of special education students and their needs. At-risk students are also time consuming and expensive.

*{Tape: 1; Side: B; Time Counter: 14.3}*

**SEN. STORY** asked how **Mr. Bean** defined at-risk. **Mr. Bean** said that at-risk students are children who are at risk of quitting school early, their home lives are often unstructured, and they are into drugs, alcohol, and breaking the law. **SEN. STORY** said that the system uses the definition of reduced and free lunch as the definition of at-risk. He asked if Augusta had many reduced and free lunch students. **Mr. Bean** said 60% of the students are reduced and free lunch students and some are at-risk students but not a large percentage.

**SEN. RYAN** asked **Rod Svee, Superintendent, Billings Public Schools**, for his comments. **Mr. Svee** pointed out that **Mr. Bean** is very fortunate if he could get teacher certification for the .15 FTE in electives. The fallacy in the classroom model that is hard to factor in is that those classes must be offered. Referring to the transportation budget, he said that most systems do not look at areas that create expenses of their own, such as water quality testing. He added that if one claim is made, building insurance

increases. In the issue of comprehensive insurance, large schools are targets because they have deep pockets. Billings Schools get sued constantly, and the suits have nothing to do with practicality, but the insurance company will pay for the claim because it is cheaper than going to court, resulting in higher premiums for the school.

**Mr. Svee** added that Billings did not have combination classes because its enrollment is high enough. In order to avoid combination classes, it closed three elementary schools so that it could maximize class loads in the remaining schools.

In conclusion, **Mr. Svee** said that Billings steals teachers from the smaller schools around Billings, but the other factor is that Billings loses teachers to Wyoming. Wyoming has a beginning salary of \$30,000, it pays both sides of retirement, and there is no state income tax. He did feel, however, that the classroom unit would work well for small schools.

*{Tape: 1; Side: B; Time Counter: 24.3}*

**SEN. RYAN** asked about the cost for professional development. **Mr. Bean** said that Title 1 mandates schools to spend a certain percentage of the federal grant money on professional development. Augusta spends approximately \$15,000 a year on professional development. **Mr. Svee** said that Billings' total general fund expenditure for professional development is \$25,000 a year. He pointed out that the percentage of the budget for the fixed costs associated with personnel in Billings is at 90% for salary and benefits. Augusta could not do that. **Mr. Bean** said that when he adds up all of his actual staff costs, they are way over both of his total general fund budgets. He then goes back and pare it down. He felt that if he could get his total staffing to 80%, the school could survive.

**SEN. RYAN** asked about Augusta's transportation budget. **Mr. Bean** said that its transportation budget is \$3,500 per student.

*{Tape: 2; Side: A; Time Counter: 2.6}*

**SEN. STORY** asked how the Subcommittee's school funding consolidation concept would affect Augusta schools. **Mr. Bean** said that transportation costs are permissive, and he was unsure whether transferring those costs into the general fund would be fair to the local taxpayers. Transportation costs also vary so much from district to district. He questioned how those costs could come together. **SEN. STORY** said that the Subcommittee's concept has been to get away from the countywide funds which saves local money. With its taxable value, he assumed that

Augusta's transportation fund was paid from somewhere else in the county. **Mr. Bean** said that Augusta receives about \$1,600 in GTB in the high school which means that it is that much less valuable than the average high school in mills.

**{Tape: 1; Side: A; Time Counter: 5.9}**

**Mr. Svee** asked if the school funds were consolidated, would it mean a new coding system. He felt that it would be fairly easy from an accounting perspective to keep the same codes within the proposed general fund. **REP. RASER** said that there is a difference between putting the various funds into one general operating fund and keeping track of the separate pots of funds. The Subcommittee's concept would be to put all of the funds into one general operating fund. Schools would then be funded on some system not yet developed. What schools use those funds for does not have to be tied specifically to the funding source. **Mr. Svee** said that there is an advantage to schools to keep the same fund numbers for audit and tracking purposes.

**{Tape: 2; Side: A; Time Counter: 10.2}**

**REP. RASER** said that the Subcommittee is reviewing the concept of a certain amount for fixed administrative costs, a certain amount for fixed building costs, and a certain amount for fixed classroom costs which would be, to a certain extent, student driven. There would also be an additional student cost for textbooks and at-risk students, etc.

**{Tape: 2; Side: A; Time Counter: 14.3}**

**SEN. STORY** said that a decision needed to be made on how small a classroom could get which is where the Subcommittee would struggle in its discussion of a classroom model for all schools. **Mr. Bean** agreed that there needed to be base limits for different size schools. **Mr. Svee** added that one of the thorniest issues in Wyoming was getting the details worked out that affected small school and small districts in a different fashion. The difficulty was not in defining the gradations, the problem was getting them legislatively accepted. Gradations are easy to work into a system but there needs to be the will to do it.

**{Tape: 2; Side: A; Time Counter: 19.7}**

**Mr. Puyear** asked how many districts did Wyoming have. **Mr. Svee** said that Wyoming had 48 districts. The greatest contention was in the discussion of the consumer price index (CPI) because of areas like Jackson Hole versus Pine Bluffs.

**{Tape: 2; Side: A; Time Counter: 20.7}**

**Mr. Standaert** asked if Wyoming had its own geographic CPI. **Mr. Svee** said that Wyoming had regional CPIs with various factors that they felt were inadequate. In facility maintenance, for example, Wyoming established that it needed to be a separate component and fund within the general fund budget.

**{Tape: 2; Side: A; Time Counter: 22.8}**

**Ms. Quinlan** asked if Wyoming compensated districts for over-utilizing its facilities. **Mr. Svee** said that differences in capital outlay were significant. Wyoming hired an architectural firm that went through and graded every building that a school district owned throughout the state. If the building scored a 49, it was in need of immediate replacement, and in most cases, that occurred. He did not recommend this approach because it puts the state in line to replace every school building resulting in a debt load that is much too high. Montana needs only to replace what the communities can prove needs to be adapted or built. Everything in Wyoming is dictated by the state.

**{Tape: 2; Side: A; Time Counter: 27.5}**

**Mr. Standaert** asked if Wyoming's maintenance was also 100% state funded. **Mr. Svee** said when he was there, yes.

**{Tape: 2; Side: A; Time Counter: 28.6}**

**SEN. STORY** said that one problem that Montana has is how does it get teachers to go to rural areas, such as Augusta or Baineville. He said even if the state raised teacher salaries, it would still have the competitive problem between the little and big schools. **Mr. Bean** said that competitive salaries makes Augusta far more attractive than Great Falls. The issue will always exist to some degree, but if Augusta could even get to \$5,000 away from the state average, it would be enough to entice a teacher to work in a small school.

**{Tape: 2; Side: B; Time Counter: 1.6}**

**SEN. RYAN** asked if the turnover in teacher staffing was currently higher in Augusta because of the salary cap. **Mr. Bean** said that on average, he hires two teachers a year out of 14 FTE. He was unsure whether that has changed much in the last 15 years. He added that another issue he has is that he may end the year with \$60,000 in his elementary budget, but when he wants to reappropriate it into next years budget to save local taxpayers money because of GTB, the state takes 40%. The money left over is

not state money. It is money that the local people put in, and it should be savings that are returned to them.

***{Tape: 2; Side: B; Time Counter: 6.1}***

**REP. RASER** asked if there was a way to fund schools based on current-year needs rather than previous-year needs. **Mr. Bean** said that at least schools would know for several years out that they have a stable enough enrollment that it is not going to affect its staffing levels. However, if it sees a trend where Augusta is losing 10 children every year, Augusta would have to close and consolidate.

***{Tape: 2; Side: B; Time Counter: 7.8}***

**SEN. RYAN** asked how many applicants Augusta received for the two teacher positions and is the school getting its first choice of the candidates. **Mr. Bean** said that typically, he receives two or three applicants for high school positions and approximately 10 at the elementary level. Many of them are new teachers who need a lot of work. The problem is when he offers the position, his first choices very rarely take the position.

***{Tape: 2; Side: B; Time Counter: 10.3}***

**Mr. Svee** said that getting funding to schools more quickly is much easier and more appropriate in a classroom unit because it is not subject to the wild fluctuations.

**REP. GLASER** asked how a community struggles through the process of determining what is educationally relevant. **Mr. Bean** said that he would have difficulty saying that the death of a town and school is not a relevant factor. The school is the biggest employer in the Augusta community, with the second largest being the Broken O Ranch. If the school closes, it would take 30 full- and part-time jobs out of the community. However, it is also difficult to keep a school open just so a town can survive.

***{Tape: 2; Side: B; Time Counter: 13.4}***

**SEN. RYAN** said that if there is no school in Augusta, the ability for the Broken O Ranch to hire families with children goes away and it limits who the Ranch can bring in. This must be a factor.

**REP. GLASER** said that Augusta is an isolated school by the nature of the distance to the next school. However, when schools in Carbon County, for example, are five or six miles apart and the superintendents are making a conscious decision to change the complexion of their communities, he was unsure whether shutting

down a school in one of the towns is educationally relevant as long as the other school can provide similar or better services. **Mr. Bean** said that if he had a school three miles away from Augusta and it had good programs, it would not be a huge concern to him about losing the school in Augusta. However, he could not live with many of Augusta's children being on a bus for three to four hours a day. **REP. GLASER** asked if communities decide to keep their schools open for noneducationally relevant purposes, would it be an acceptable practice to say that the local communities would be responsible to pay the extra cost for keeping the schools open when the state and children are not benefitting. **Mr. Bean** said that there is a bottom line for everything. If it gets too expensive and difficult to keep a school facility up, it must be shut down. However, it becomes quite a maze when people have to decide exactly how far is isolated, or how long is a reasonable bus ride, or how small is too small a school.

*{Tape: 2; Side: B; Time Counter: 18.8}*

**SEN. GLASER** asked if a school is not isolated and close to another school and if those two communities decide to keep both schools open, would it be appropriate for the state to provide a certain amount of money for the two schools combined and say that it will be locally voted money to keep them open. **Mr. Bean** said that although he could not speak for other small schools, he felt it would be appropriate and reasonable, particularly if the schools are close together.

*{Tape: 2; Side: B; Time Counter: 20.5}*

**SEN. RYAN** said that the K-12 School Renewal Commission also discussed in length the issue of why should the cost of everything to keep schools open be listed as a cost of education when communities use those facilities for noneducational functions, such as basketball and community events. In reality, it is the cost of keeping the communities alive. Also, if there were two high schools close together in distance and if they were sending students back and forth to get enough students to make a basketball or football team, why could that not also be done for academic purposes.

*{Tape: 2; Side: B; Time Counter: 22.8}*

**SEN. STORY** asked if Augusta took advantage of distance learning and, if so, what is the success of the classes. **Mr. Bean** said that Augusta offers some on-line classes for its students but not many. It is also discussing the idea of getting involved with Montana's e-learning consortium. He added that it takes a self-motivated and independent student to succeed in distance learning

classes because the teacher is the driving force to keep students on task. He felt that distance learning classes would play a role in Montana's education system, but they would never replace its teachers. **SEN. STORY** asked if consolidation was the way that the state should deal with districts that are no longer functional or should they be dissolved and let the student population reconstitute where it is easier for them to go. **Mr. Bean** said that Montana sees that happening anyway because students go in many different directions. The difficult part about dissolving a district is the question of who does the tax base belong to. He felt that the tax base should follow the students.

*{Tape: 2; Side: B; Time Counter: 26.3}*

**SEN. RYAN** asked, if the state funded on a per-school basis rather than a per-district basis plus a classroom entitlement, would Augusta be able to accommodate the Hutterite Colony within the district. **Mr. Bean** has always been of the opinion that the Hutterite Colony should have been a part of Augusta's district. The Colony would disagree because the people are very independent, they like to run things themselves, and they are very different from Augusta. However, it is silly financially to run a little school district in the middle of the Augusta School District. **Mr. Bean** added that these consolidation issues are valid and should be discussed. **SEN. RYAN** said the thought was to let the Colony students stay at the Colony. The state would give them enough money to fund a teacher but it would be run through one district for administration purposes. **Mr. Bean** said that it makes sense financially, but he did not want to add the Colony's test scores to Augusta's because the Colony's performance is considerably lower. With "No Child Left Behind" (NCLB), it would dramatically and adversely affect Augusta Schools. For that reason, he would not want it.

*{Tape: 2; Side: B; Time Counter: 29.9}*

**SEN. STORY** asked what would happen to a school like the Hutterite Colony under NCLB". **Mr. Bean** said that in the beginning of "NCLB", states are to receive more money the first year. If states remain in a deficient adequate yearly progress (AYP) status, the federal government will begin to withdraw funds. However, the Colony does not receive much federal money in the first place.

**Mr. Svee** added that it would be a great disadvantage for the Augusta School District to have the Colony as a school in its district because if the Colony falls below the AYP in the second year, the district as a whole is sanctioned, particularly in the

area of special education, Title 1 funds. It does not matter how many schools are located within a district, it takes only one.

***{Tape: 3; Side: A; Time Counter: 0.3}***

**Mr. Melton** said that another constitutional crisis in Montana could come in the fourth year under NCLB, and the consequence could involve high-stakes money. Under NCLB, states have the option to take over districts if they fall below the AYP. This option cannot be done under Montana's constitution, nor can the state say that federal law is preeminent because it was not a mandate and does not conflict with Montana law. NCLB just states how the money can be spent. In essence, if Montana wants to spend NCLB money in the fourth year, it must violate its constitution.

***{Tape: 3; Side: A; Time Counter: 6.2}***

**SEN. RYAN** asked what the minimum number of students would be in order for Augusta to deliver quality educational services to its high school students. **Mr. Bean** said staffing-wise, he is as low as he can go (14); and it would be difficult for Augusta to deliver quality services in its high school if the student number dropped below 20 to 25 students. He added that Augusta has survived because it has been creative and because it looks at the perfect combinations and whether teachers have multiple endorsements. However, the school cannot survive based on ANB.

***{Tape: 3; Side: A; Approx. Time Counter: 12.3}***

**SEN. STORY** said that the Subcommittee must, at some point, decide how much extracurricular activities is part of the basic, quality system of schools and justify it. **Mr. Bean** said that extracurricular activity is an issue for all small schools because the first place to cut budgets is sports. However, if he cuts football, he will lose students and his problem is compounded. He loses more student funding than he did cutting the program. He was unsure of the answer but personally felt that sports should have nothing to do with the schools.

**REP. RASER** said that there has been some discussion about whether the state should pay for the basic education system only and extracurricular activities be locally funded.

The Subcommittee will meet March 15, 2005.

**ADJOURNMENT**

Adjournment: 10:15 A.M.

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SEN. DON RYAN, Chairman

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LOIS O'CONNOR, Secretary

DR/lo

Additional Exhibits:

**EXHIBIT ([jes56aad0.PDF](#))**