

MINUTES

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

JOINT SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By **CHAIRMAN DON RYAN**, on March 30, 2005 at 8:10
A.M., in Room 335 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: Eddy McClure, Legislative Branch
Lois O'Connor, Committee Secretary
Jim Standaert, Legislative Branch
Christopher Lohse, Legislative Branch

Staff Excused: Connie Erickson, Legislative Branch

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

Committee Business Summary:

Further Discussion on Education Funding

For discussion purposes, **Eddy McClure, Legislative Services Division (LSD)**, provided draft legislation describing the legislative goals based upon **REP. HOLLY RASER'S, HD 98**, entitlement components and the beginning of a "shell" for a new funding formula definition section.

EXHIBIT(jes67a01)

{Tape: 1; Side: A; Time Counter: 4.7}

Madalyn Quinlan, Office of Public Instruction (OPI), provided an overview of a draft discussion paper entitled Basic System of Free Quality Public Schools: Entitlements for a new general fund, a new capital projects fund, and a debt service fund. She said that it follows the continuum of building impediments being the most fixed cost and student entitlements being the most variable cost.

EXHIBIT(jes67a02)

Dave Puyear, MT Rural Education Association (MREA), inquired about the contractor costs under the adjustments for educationally relevant factors for the building entitlement as they relate to isolated schools with low population densities. **Ms. Quinlan** said that was in reference to a superintendent's discussion about tacking on an additional 15% for contractor costs because of the distance between where the contractor was located and the project. There may be additional costs to isolation and receiving needed services.

{Tape: 1; Side: A; Time Counter: 12.8}

SEN. ROBERT STORY, SD 30, added that there is also the question of schools with declining enrollments that have physical facilities that are not being used and how they are dealt with in the funding formula. **REP. RASER** said that could be one component that the state could, perhaps, be paying less for and the community would pick up the extra cost if the community wanted to keep it.

{Tape: 1; Side: A; Time Counter: 17.4}

Christopher Lohse, LSD, provided an overview of a research memorandum of an optimal size for a public school.

EXHIBIT(jes67a03)

Mr. Puyear said one of the premier research organizations in the nation is the Rural Schools Community Trust. **Mr. Lohse** said that

he was unfamiliar with the organization. However, the reason that he set all research aside regarding the school-within-a-school model is that the data was very inconclusive. There are particular school challenges in bringing about a sense of what the schools' missions were. He cautioned using the school-within-a-school model without further research.

Rod Svee, Superintendent, Billings Public Schools, said that OPI held an Indian Education Conference, and the participants were well represented as experts in the field of Indian education, and they could provide some guidance. The needs on reservations are well known and documented, the state has not provided one penny to reservation schools, and federal funding has shifted. A different approach is needed to deal with reservation schools.

SEN. STORY asked if **Mr. Svee** was suggesting that on top of the basic education system that the state needs alternate standards and a different basic system to be successful on reservations.

Mr. Svee said that the state cannot design a school funding system that accommodates reservation schools without designing it especially for those schools. Class loads, staff training, and a heavier social services component are needed on reservation schools. Indian Education For All (IEFA) is totally different.

{Tape: 1; Side: B; Time Counter: 2.1}

Jack Copps, MT Quality Education Coalition (MQEC), said that there is a difference between poverty that may occur over a brief period of time and generational poverty. **Mr. Lohse** said that one of the policies that has been suggested for minority students in central cities is greater integration of communities. With reservation schools, that policy poses a challenge because there is no one to integrate with. It is entrenched poverty for large areas around the reservation region. **REP. WILLIAM GLASER, HD 44**, added that reservations not only have economic poverty but they have social poverty. He said that often times, a lot of money goes to reservations but it is not serving individual Native Americans for some reason, and it is different on every reservation.

{Tape: 1; Side: B; Time Counter: 4.6}

Subcommittee members and stakeholders discussed the proposed new capital project fund and what it should include as an entitlement. They decided that bus reserves; building reserves (remodeling, furnishing, or equipping schools on a pay-as-you-go basis); purchase of site and construction of buildings; and bus barns and those items that go with school property should all fall under the capital project fund category.

REP. GLASER said that for the Subcommittee to progress further, it must talk about what a classroom is, what are the accreditation standards that deal with classroom size, and what is the smallest classroom.

{Tape: 1; Side: B; Time Counter: 7.0}

REP. RASER asked about the difference between the new debt service fund and the capital projects fund. **Joan Anderson, OPI**, said that debt service is used to repay a bond issue. Proceeds from a bond are deposited into a building fund to be used for construction. A debt service fund is created on the side to levy money to pay off the debt. The capital projects fund is an ongoing fund that covers things such as the roof repair of school buildings.

SEN. STORY asked when does operation and maintenance in the general fund cross over to the capital projects fund. **Mr. Svee** provided a copy and overview of the Wyoming Law Adaptation that provided its definitions of "capital construction" and "capital construction project" enacted after Wyoming's school funding lawsuit.

EXHIBIT (jes67a04)

Following a thorough question and answer period regarding the Wyoming Law Adaptation, **Mr. Svee** said that the key difference in the approach between Wyoming and Montana is that Montana has a Supreme Court decision that states that if the facilities affect equality, the state has no option but to fund. If existing Montana law is used, it can adapt Wyoming's law to fit. However, the funding for the projects in Montana are not optional as in Wyoming. Wyoming's local districts have the right to do enhancements, such as if the state decided that it would totally fund a lower-cost building option and the local district wanted more, the district could pass a bond to do an enhancement of that facility. The building was the total responsibility of the local community, and it never factored into any of the routine maintenance costs of the district. **Mr. Svee** reiterated that Wyoming's law is only an option and one sample for the Subcommittee to review and consider.

{Tape: 2; Side: A; Time Counter: 24.1}

Mr. Svee also provided copies of Wyoming's rules and regulations from its School Facilities Commission relating to its uniform adequacy standards, its 5-year plans and updates format, its square footage guidelines for major maintenance payments, and its annual report form for major maintenance.

[EXHIBIT\(jes67a05\)](#)

[EXHIBIT\(jes67a06\)](#)

[EXHIBIT\(jes67a07\)](#)

[EXHIBIT\(jes67a08\)](#)

{Tape: 2; Side: A; Time Counter: 25.4}

Darrell Rud, School Administrators of Montana (SAM), said that **Jerry House, Superintendent, Whitefish Public Schools**, has some ideas for the beginnings of a classroom unit. He will present those ideas to the Subcommittee at its March 31, 2005, meeting.

{Tape: 2; Side: B; Time Counter: 1.4}

Bob Vogel, MT School Boards Association (MTSBA), asked if data was available on the bonded indebtedness of Montana school districts and their bonding capacities. **Ms. Quinlin** said that OPI has information on bonded indebtedness to the extent that school districts need to repay, but it is general-obligation type information, not intercap loans. OPI also knows the debt service schedules of school districts covered under the school facility payments where the state is participating in the bond payment. Capacity information will not be a difficult calculation to do. **Mr. Svee** said that depending on the direction the Legislature moves, bonding capacity may be an unimportant calculation because the purpose of the calculation is to keep taxing entities under control. If funding shifts, through guidelines and a new funding system to less local control and more state control, the state does not have to worry about bonding capacity.

{Tape: 2; Side: B; Time Counter: 6.7}

Mr. Puyear said that as the Superintendent in Cascade, he did not remember any state mandates such as those in Wyoming's model on secretary/receptionist areas and teacher lounges, for example. Those decisions are part of the culture of Montana in deciding how a building will look. He was concerned that Wyoming's approach was a "cookie cutter" model for Montana schools. If Montana wants "cookie cutter" schools and classrooms across the state that all look the same, the state will be drilling very deeply into local control.

{Tape: 2; Side: B; Time Counter: 7.6}

SEN. STORY said that the Subcommittee will conduct some followup on Wyoming's model. However, the Subcommittee still has the division between the new capital projects fund and the debt service fund. He felt that the debt service fund was fairly clear in its definition. However, it may not be needed if the state

decides to go toward Wyoming's concept where the state is responsible for the debt. **Mr. Svee** said that there would be wisdom in having formulas from both a local control and state aspect. If the state was to support debt service through the tax base, the district may decide that, rather than coming in with an application for 100% state construction, they would build their own debt service fund over a period of time.

{Tape: 2; Side: B; Time Counter: 9.5}

SEN. STORY said that there are two concepts to review under the debt service fund: (1) a flat, state-paid-for program that includes a review of the legal ramifications with Montana's local control and constitutional issues and (2) an expansion of the current system which is a local and state partnership where the state subsidizes local districts.

REP. RASER felt that there were huge policy differences between what Wyoming has adopted and what Montana currently has. She requested that staff provide a synopsis of the broad policy differences by component between the two approaches.

{Tape: 2; Side: B; Time Counter: 12.2}

Mike Burke, Office of Budget and Program Planning (OBPP), provided an overview of Montana's per-square foot, design and space allocations regarding schools.

EXHIBIT(jes67a09)

{Tape: 2; Side: B; Time Counter: 20.6}

Ms. Quinlan inquired about the definition of maintenance. **Joe Triem, Architectural and Engineering Division, Department of Administration**, said that typically, operations and maintenance is a combination of janitorial services (replacing carpets); utilities (power, electrical, and natural gas); and anything that is not a major repair. The price is approximately \$5 per square foot, per student.

{Tape: 2; Side: B; Time Counter: 23.9}

Mr. Svee said that Montana schools conducted a self-assessment as part of their facilities data base. **Mr. Triem** is talking about what Montana is spending which shows that it is an underfunded system. Wyoming addressed its backlog of deferred maintenance by front loading it and putting it in a separate budget other than the general fund.

{Tape: 2; Side: B; Time Counter: 26.6}

Mr. Burke noted that Wyoming's self-assessment is very comprehensive in that it addresses square footage needs and the goals of the communities and schools. Other self-assessment models just ask for square footage.

{Tape: 2; Side: B; Time Counter: 27.8}

SEN. STORY said that the Subcommittee is still trying to figure out what it considers capital projects versus operations and maintenance. He asked about the percentage of value related to operations and maintenance. **Mr. Triem** said that Montana has a substantial backlog of deferred maintenance. Generally, 1% to 2% of the replacement value is the reasonable guideline for funding capital projects to avoid the occurrence of a backlog. These expenditures are not necessarily incurred on an annual basis. Many times, the state accrues deficiencies before a point in time when it is decided that they be done.

{Tape: 2; Side: B; Time Counter: 30.5}

REP. GLASER said that the Subcommittee needs to define what the classroom needs to look like, not how to fund the buildings.

{Tape: 3; Side: A; Time Counter: 9.2}

Subcommittee members requested that staff and stakeholders provide the following information:

- (1) what components are included in operations and maintenance;
- (2) provide some proposals of the type of components that should be included in the new capital projects fund; and
- (3) review the ramifications of a full, state bonding program, including local control and constitutional issues, and the ramifications of a state/local bonding partnership.

Referring to a previous Subcommittee discussion, **Mr. Svee** provided a copy of 10.55.802 showing that Montana's accreditation standards included extracurricular activities as an equality educational opportunity.

EXHIBIT (jes67a10)

The Subcommittee will meet March 31, 2005.

ADJOURNMENT

Adjournment: 10:00 A.M.

SEN. DON RYAN, Chairman

LOIS O'CONNOR, Secretary

DR/lo

Additional Exhibits:

EXHIBIT ([jes67aad0.PDF](#))