MINUTES

MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION

JOINT SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By **CHAIRMAN DON RYAN**, on April 13, 2005 at 4:30 P.M., in Room 405 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: Eddye McClure, Legislative Branch
Lois O'Connor, Committee Secretary
Jim Standaert, Legislative Branch

Staff Excused: Connie Erickson, Legislative Branch

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

Committee Business Summary:
Continue Discussion on Education Funding

Steve Smith, Private Education Consultant, provided a list of national education researchers and a power point presentation on Montana Successful Schools Analysis: Overview & Issues to Address.

EXHIBIT(jes79a01)
EXHIBIT(jes79a02)

{Tape: 1; Side: A; Time Counter: 29.3}

REP. HOLLY RASER, HD 98, asked if funding the average expenditure included both state and federal funds. **Mr. Smith** said, yes, but transportation and facilities costs were not included.

{Tape: 1; Side: B; Time Counter: 13.1}

SEN. ROBERT STORY, SD 30, asked why the total number of all schools did not add up to the 851 indicated. **Mr. Smith** said that 851 schools were surveyed of which 722 actually reported results. Montana has such a large percentage of schools with less than 25 to 50 students. Due to confidentiality issues, many schools cannot report their successes or the number of students who did not meet the standards.

{Tape: 1; Side: B; Time Counter: 21.2}

SEN. STORY said that the reason why schools are driven to relatively even spending levels in Montana is that they have been on an equity, cap-spending system. He asked how that influenced the expenditure analysis. **Mr. Smith** said that spending caps do influence the numbers in states that have highly equitable school funding systems. It begs two questions: some would argue that where there are schools that are succeeding, even with tough-to-serve student populations and a given spending level, why are other schools unable to do that. On the flip side, some could argue that there are a number of schools that are not meeting the standards so they are already capped on what they can spend, they just need additional resources. He said that the analysis is a tool that provides the identification of certain schools that warrant further examination and a range of funding levels. No state has used the advanced-statistical method when defining adequacy. However, they have used the professional-judgment, successful-schools, and evidence-based approaches to define adequacy which has held up in the courts.

{Tape: 1; Side: B; Time Counter: 23.1}

SEN. DON RYAN, SD 10, asked if there is a school district that is unsuccessful and spending a high rate of money, how is local

control and accountability balanced out. **Mr. Smith** said that he was a firm believer in localities having the flexibility to meet the needs of their students in the best way that they see fit. However, that local control breaks down after they do not meet their standards for five years in a row. States want to allow for innovation and allow localities to meet the needs in the best way they see fit; but after a certain amount of time, if certain standards are not met year after year, perhaps the state has a little more say on the programs and practices that schools should implement.

{Tape: 1; Side: B; Time Counter: 25.5}

REP. WILLIAM GLASER, HD 44, said that one of the big differences between school districts' abilities to provide for children, given the same amount of revenue, is the support of the parents and community in the school. He asked how that could be reallocated to ensure that every child has the same or most parental support because it is such a huge deficit in some places, particularly when talking about the traditional educational system and what Native Americans are faced with. **Mr. Smith** said that if the state wants to predict a student's success in school, parental involvement will be that predictor. Unfortunately, reallocating parental involvement could lead to legislating morality, which is a slippery slope in and of itself. Some students come to school at a disadvantage for a wide variety of reasons, and it may not be that their parents do not care. Successful schools have very effective parental outreach programs. He said that Montana would be well suited to identify the programs, their costs, their structures, and identify whether the state can combine some of its juvenile justice or Department of Public Health and Human Services (DPHHS) money with K-12 money to create these innovative programs. Some states across the nation give a 25% premium to low-income students. He suggested that the extra money be targeted on programs that are proven effective rather than throwing money at the problem.

REP. GLASER said that Montana has financially impoverished districts that do much better than socially impoverished districts, and it has districts that both receive and do not receive support from the community or family. All of these poverties affect how children perform and their opportunity for succeeding in the future. He felt that simply stating that certain people are poor and giving them more money is not going to solve the problem of the socially impoverished. **Mr. Smith** said that the state needs to identify what is working in certain places across the state and replicate it.

{Tape: 2; Side: A; Time Counter: 1.1}

SEN. STORY said that Montana's large schools are average-sized schools of approximately 300 students. He asked if information was available on successful schools in Montana by size as they relate to student/teacher ratios. **Mr. Smith** said that he has data based on school size and expenditure data for successful schools and unsuccessful schools. However, the sample size is often less than 30 students. It is useful information but not as good as generalization data for over 30 students. **SEN. STORY** asked if a statistical analysis could even be done if it carves students out in groups. **Mr. Smith** said that he could provide expenditure information on schools with less than 25 students but could not provide information on student performance. The broader the groups get, the larger the sample size. He added that Montana should not hang its hat on statistical numbers. The more analyses and data that it has, the sounder the methodology and its defense in court.

{Tape: 2; Side: A; Time Counter: 7.9}

SEN. RYAN felt that the advanced statistical analysis would be a way to look at which Montana schools were successful. When the state builds if funding formula, it would have data reported in different categories so that when adjustments need to be made, they can be based upon what is successful and whether the state is using its resources in the right way.

{Tape: 2; Side: A; Time Counter: 9.6}

SEN. STORY asked about the number of returns that could be expected to the on-line survey since schools now know what the information could possibly be used for and whether there would be enough surveys returned to create accurate information. **Mr. Smith** said that if you call schools that are doing great, they do not mind telling why they are successful. The results of the survey are not the "end-all". It just provides the Legislature with a tool and more information to analyze the issues of adequacy. It can also help Montana to identify some of the best school practices.

{Tape: 2; Side: A; Time Counter: 12.3}

David Ewer, Budget Director, Office of Budget and Program Planning (OBPP), asked if information was available on successful school funding models from other states that reflect Montana's model. He said that Montana has large areas with declining enrollment and large differences in school sizes. **Mr. Smith** said that there are some states that draw up district cost differentials and adjustments based on scarcity. However, states as a whole are still basing things on a per-student allocation. A

few states fund via classroom unit, but most are not any longer. He added that for declining enrollments, states adjust the formula, by in large, through hold-harmless measures. Whether that is the best way to approach things is highly debated.

{Tape: 2; Side: A; Time Counter: 15.2}

REP. RASER asked if the survey participants have been picked. **Mr. Smith** said, no, but it is going to try to take a broad sample of types of schools. **REP. RASER** asked how many other states were dealing with the problem of declining enrollment. **Mr. Smith** was unsure. Florida, for example, addresses declining enrollment by giving districts one-half an FTE the next year instead of the 100%, hold-harmless.

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Bud Williams, Deputy Superintendent of Public Instruction, asked how salary schedules and levels could be used to determine school funding levels. **Mr. Smith** said that if Montana's goal is to increase the salary schedules and levels from 47th in the country up to the average, an apples to apples comparison needed to be done.

Joe Lamson, Office of Public Instruction (OPI), said that **Mr. Smith** indicated in his testimony, that states were moving away from the classroom allocation models. He asked if that was the case, and if so, what were some of the problems associated with it. **Mr. Smith** said that there has been a general shift away from the classroom allocation model, and some states allocate funds on a per-student model. It is difficult to say that one model is better than another. In a state like Montana where there are over 150 elementary schools with less than 50 students, the classroom allocation model seems very appropriate. Even if Montana goes to the classroom unit model, the per-student funding level will still be a component. It will just be rolled up to the classroom level.

{Tape: 2; Side: A; Time Counter: 22.3}

SEN. RYAN said that the Subcommittee is not considering rolling up the per-student funding into the classroom component. The classroom would stand alone, and the student is another component that could be weighted on how much goes per student.

REP. GLASER said that Montana has a span of from one child to 15,000 children in a school district. In the smaller schools of 10 or 15 students, when two are lost and the state is funding on a per-student basis, it drops the amount of revenue to the school

by almost 20%. **Mr. Smith** said that if there is a one-room school that goes from 10 students to 8, by definition, there is no way that the school can reduce its fixed costs in proportion.

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Madalyn Quinlan, OPI, pointed out that larger school districts have their own special education programs while smaller districts provide special education services through special education co-operatives. She asked if any state had both a small school funding model and a large school funding model. **Mr. Smith** said that there are some states that fund schools given certain parameters. He liked the proposed idea where the student is separated from the classroom. For schools that do fund based on small and large funding models, there are very rigid cut points. If a state can overcome the rigid cut points, the more equitable the system will be.

{Tape: 2; Side: A; Time Counter: 26.2}

SEN. STORY said that Montana fixed the equity problem which worked as long as enrollment increased and local money was available to roll into the system. When enrollments declined, the state had to let districts escape from equity. He questioned how the state could go to a system to deal with the adequacy issue without throwing a lot of money into the system to maintain equity. He asked if other states have dealt with this problem. **Mr. Smith** said that in the 1970s, the decision was made to have horizontal equity which means that every district got the same amount across the state. By doing that, it is inherently unequal because the state cannot get as much bang for the buck in certain parts of the state. The greatest unintended consequence from the state legislatures is, as they embraced standards for reform, they never would have dreamed that they were creating the manageable standards that plaintiffs would take into court. Without standard bench reform, states will automatically see lawsuits. Once standards are quantified, plaintiffs have no issue to take states to court. Courts are saying that there can be inequities in total funding as long as all students meet a certain threshold.

Erik Burke, MEA-MFT, asked if value-added was part of the growing trend for a successful schools model. **Mr. Smith** said, yes.

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Mr. Lamson said that because of the mandates of "No Child Left Behind", virtually all of the successful schools in Montana that are performing at the successful level, by 2013, will no longer

be successful schools. **Mr. Smith** recommended that a lot of care and thoughtfulness be given by the Legislature on the front end. If it is the Legislature's responsibility to define a quality education, then it is within the Legislature's prerogative to define the cut scores for what that quality education should be.

{Tape: 2; Side: B; Time Counter: 3.4}

SEN. STORY said that one of the first things that the interim committee needs to do is figure out the parameters of a quality education and what it is going to ask people to study. He asked how a committee would go about doing that. **Mr. Smith** said that staff could lay out all of the options and explain the pros and cons of each option until the committee feels comfortable in understanding what all the options are. The next step would be setting the process and procedures.

Mary Whittinghill, MT Taxpayers Association, said that the MT Taxpayer's analysis and survey was not intended to be the successful school model. It was just the next step so that when the interim committee comes back, it has more information to hit the ground running. She requested that the Subcommittee give its blessing for the survey in the form of a letter to the education community to inform them that the survey is another tool to help the committee and to explain what it intends the information from the survey to be.

Following a brief discussion, the Subcommittee decided to continue receiving as much information as possible and will decide on **Ms. Whittinghill's** request at a later date.

The Subcommittee will meet April 14, 2005.

ADJOURNMENT

Adjournment: 5:50 P.M.

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SEN. DON RYAN, Chairman

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LOIS O'CONNOR, Secretary

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Additional Exhibits:

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