



# MTSBA

"...fostering excellence in public education  
through  
school board leadership."

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 7

DATE 1-12-07

BILL NO. SB152

TO: Senate Education Committee

FROM: Lance Melton, Executive Director  
Montana School Boards Association

RE: Senate Bill 152

DATE: January 11, 2007

The Montana School Boards Association appreciates Senator Ryan's introduction of SB 152, reflecting the Governor's funding priorities for K-12 public education in the 2007 Legislative Session. Like with any funding bill this session, our position on Senate Bill 152 is driven by the primary funding resolution adopted by our membership, a copy of which I have attached for your review and information. MTSBA has a difference of opinion with the state regarding the extent of additional funding necessary to adequately fund *all* grades and programs in our public schools.

Senate Bill 152 has several provisions, many of which we support. Because of its complexity, however, we do have several suggested changes needed to ensure that the bill provides school districts with the resources needed to avoid or at least mitigate reductions in spending at the local level in the next two years.

**Sections 1 through 6, School Loan Repayment** – MTSBA supports the school loan repayment provisions of the bill and believes that those provisions could ease some of the problems faced by school districts in recruiting educators in critical shortage areas.

**Sections 7-8, Mineral Royalties to School Facility Account** – MTSBA supports sections 7 and 8 as a means of saving toward the costs of implementing the facilities portion of the remedy required under *Columbia Falls Elementary v. State*. The state does not know what the cost of that remedy will be at this time, but committing the proceeds from mineral production rights on state lands is a good start.

We suggest an amendment to section 8, page 4, line 5, to reinstate the reference to the guarantee account. Deposit of the mineral proceeds into the guarantee account has been court tested and approved. By reinstating language so that the proceeds continue to be deposited into the guarantee account, and then transferred to the school facility improvement account, the state can better ensure the continued validity and constitutionality of the process.

**Sections 10 and 12, K-12 School District for Ophir Elementary** – MTSBA takes no position on sections 10 and 12, which appear to be a new proposed statute that would allow Ophir Elementary School District to create a K-12 School District. The underlying issues in this section divide our members, specifically Ophir, which is anticipated to be in support and Bozeman and Ennis school districts, which are anticipated to be in opposition because of the loss of territory and accompanying taxable valuation from those districts.

**Sections 9, 13, 14, 15, 16, 17, 19, Full Time Kindergarten, Inflationary Adjustments to Formula, Treatment of Over Maximum Districts, New Middle School Entitlement –**

MTSBA supports the Governor's attempt to address the several funding issues implicated in the above-referenced sections of Senate Bill 152. As we have previously testified in Senate Bill 123, MTSBA supports the concept of full-time kindergarten. As we have also previously testified, we recognize that there are members who will experience difficulties in implementing and maintaining full-time kindergarten without additional financial assistance for the costs of implementation and operation. We urge the Committee to give careful consideration to providing the additional funding needed but not addressed in Senate Bill 152 to ensure that all school districts in the state have the resources needed to implement and maintain this important program.

We also support the necessity of annual adjustments to whatever funding formula is adopted by the state, which must be at least reflective of contemporary inflationary costs faced by our members.

In considering these provisions of Senate Bill 152, MTSBA respectfully requests your support of the following amendments:

**1. Section 14, amendments to 20-9-306:**

- a. **Inflationary Adjustments to the Entitlements** – The inflationary adjustments to the entitlements in Senate Bill 152 are insufficient to account for contemporary inflation and are not applied consistently to all entitlements. Inflation as it existed from 3-6 years ago is not educationally relevant, nor is a 3% cap on such adjustments. Unfortunately, the present law adjustment process in current law is insufficient to account for school districts' increased costs of operation.

**Amendment Request:**

We request that *all* entitlements that make up the state's distribution to school district general fund budgets be adjusted by 3.8% for both of the coming two years. This amount is the current CPI-U inflation amount, according to the Bureau of Labor Statistics. By inflation-adjusting only the basic and per-ANB entitlements and doing so by inflation that is no longer educationally relevant, Senate Bill 152 provides insufficient funds to account for the cost pressures school districts will face in the coming two years.

- b. **Middle School and Junior High Entitlements** – As we understand the intent of including a new middle school or junior high entitlement, the administration wanted to avoid a reduction in the basic entitlement for a school district that implements a full time kindergarten program. Unfortunately, in solving that issue, the creation of a new middle school or junior high entitlement created a problem for school districts that might choose not to implement full time kindergarten. School districts with declining enrollments that choose not to implement a full time kindergarten program will receive substantially less in a combined elementary and middle or junior high entitlement under Senate Bill 152 than they would otherwise receive in a prorated elementary entitlement under current law.

**Amendment Request:**

We request that Senate Bill 152 be amended to go back to a prorated elementary entitlement, with kindergarten enrollment included in that prorating at ½ the rate of ANB, regardless of whether a school district implements full time kindergarten or not. This will ensure that the current process for prorating the elementary entitlement remains in place without any harm inflicted on a district that implements full time kindergarten and without any harm inflicted on a school district that chooses not to do so.

- c. **Quality Educator Payment Increase** – The State has contended that the quality educator payment is tied to the recruitment and retention issues referenced in the Court's decision in Columbia Falls Elementary v. State. Given that reference, it seems that the payment should be increased on an annual basis in an amount reasonably calculated to allow districts to cover a significant portion of costs associated with increases in salaries and the costs of employee benefits. Senate Bill 152 proposes to increase the payment by \$790 in year 1 and proposes no increase for year 2 of the coming biennium.

**Amendment Request:** We request that the quality educator payment be increased by \$1,520 in the first year and \$1,577 in the second year of the coming biennium. This is based on an average teacher salary of \$40,000, with a 3.8%, CPI-U adjustment in each year of the coming biennium, which is what a typical school district will experience if it provides a 2% base adjustment to salaries, with the other 1.8% coming on account of the costs of steps and lanes. Although this proposed increase would not allow districts to cover the costs of increased benefits and would only allow coverage of salary costs if the entire amount were committed to educator salaries, the increase proposed by MTSBA does better reflect inflationary pressures than does the increase proposed in Senate Bill 152 as introduced.

2. **Section 15, amendments to 20-9-308:** The amendments to Section 15 appear to prevent a school district with an over maximum budget from implementing full time kindergarten without sustaining cuts while doing so.

**Amendment Request:**

We request that Senate Bill 152 be amended to include the same protecting provisions of Senate Bill 123, that will allow a school district that is implementing a full time kindergarten program to add the new funding to its over maximum budget.

3. **Section 17, amendments to 20-9-313:** MTSBA does not have any problem with the amendments in section 17 to subsection (e). These amendments change the circumstances under which ANB may be increased, to account for the implementation of a half or full time kindergarten program. After specifying that the implementation of a half or full time kindergarten program is a basis for increasing ANB, however, new proposed language in subsection (2) specifies that the section does not apply to the expansion of a half day kindergarten program into a full time kindergarten program. This does not appear to make sense.

**Amendment Request:**

We request that the new language in subsection (2) be stricken.

Thank you for taking the time to consider MTSBA's testimony on Senate Bill 152. We will be available for any questions the committee may have and/or for any technical support in crafting amendments in which the committee may be interested.

Attachments: MTSBA Funding Resolution  
CPI-U Inflation Sheet

## **MTSBA FUNDING RESOLUTION - MAKE QUALITY EDUCATION THE PRIORITY**

WHEREAS, a quality education for all the children of Montana is of highest priority to the Montana School Boards Association; and

WHEREAS, the State of Montana has made progress toward restoring constitutionality to its system of funding Montana's public schools in compliance with the State's obligations under Article X of the Montana Constitution through funding increases and amendments to law in FY06 and FY07, but has not fully complied with the terms of the relevant court orders in *Columbia Falls Elementary v. State* and has not yet complied with the provisions of SB 152.

### **BE IT RESOLVED AS FOLLOWS:**

The Montana School Boards Association's Membership endorses the Montana School Boards Association's continued vigorous pursuit of the State's compliance with the terms of Article X of the Montana Constitution. The Montana School Boards Association must be a leader in ensuring that all children served in Montana's public schools are provided with access to an adequately funded basic system of free quality public elementary and secondary schools.

In pursuing the State's compliance with the terms of Article X of the Montana Constitution, the Montana School Boards Association's efforts should be focused on:

1. Enforcing the rights of children served in Montana's public schools as a named plaintiff in the case of *Columbia Falls Elementary v. State*, including the pursuit of enforcement of specific timelines for the state's compliance with its constitutional responsibilities; and
2. The pursuit and support of legislative and other remedies that include a focus on achieving:
  - a. Necessary changes to the current funding formula to address the current shortcomings in the formula;
  - b. Funding to empower local school districts in narrowing achievement gaps, complying with federal and state mandates and addressing the unique needs of all children served in Montana's public schools including gifted and talented students, through provision of an array of programs and services that education experts consistently report as important to improve at-risk performance, such as:
    - i. Early childhood education (e.g. full day kindergarten, lower class sizes in the primary grades);
    - ii. Before school, after school and summer programs;
    - iii. Tutoring;
    - iv. Reduction in class size and alternative learning programs for at-risk students;
    - v. Gifted and talented curriculum and programs as detailed in SB 152, in statute, and in Montana accreditation standards.
    - vi. Programs to enhance teacher professional development.
    - vii. Support funding for students who have not turned 20 by September 10<sup>th</sup> and have yet to complete the school district's graduation requirements.
  - c. An assurance of stable funding and support for implementation of Indian Education for All in Montana's public schools;
  - d. An improvement in salaries and benefits for employees of Montana's public schools with a focus on recruiting and retaining high quality educators and classified staff;
  - e. Facilities adequate to support the programs required for quality education including both operational and capital costs, and including pre-bond facility programming;
  - f. Any tax reform that may be necessary to ensure that the State has the capacity to comply with its constitutional responsibilities for K-12 public education.

## Bureau of Labor Statistics' CPI-U Sheet

### Consumer Price Index - All Urban Consumers

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2002	1.1	1.1	1.5	1.6	1.2	1.1	1.5	1.8	1.5	2.0	2.2	2.4	1.6	1.3	1.9
2003	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.9	2.3	2.5	2.0
2004	1.9	1.7	1.7	2.3	3.1	3.3	3.0	2.7	2.5	3.2	3.5	3.3	2.7	2.3	3.0
2005	3.0	3.0	3.1	3.5	2.8	2.5	3.2	3.6	4.7	4.3	3.5	3.4	3.4	3.0	3.8
2006	4.0	3.6	3.4	3.5	4.2	4.3	4.1	3.8	2.1	1.3	2.0			3.8	