EXHIBIT 1
DATE 1/31/2011
HB HJ 7

I. Executive Summary

On May 1, 2003, Governor Judy Martz signed House Bill 736 into law. (See Appendix A for the full text.) The bill established a Montana K-12 Public School Renewal Commission to study the structure and funding of Montana public schools. HB 736 was introduced by Rep. Ray Brown (R), Rep. Dave Wanzenreid (D), Sen. Jon Tester (D), and Sen. Fred Thomas (R).

The bill designated seven state officials and legislators as core members. Those core members identified key stakeholder groups to appoint representatives to serve on the Commission. Nominations were received from 16 groups, and 22 additional members were chosen.

The Commission began its work in July of 2003. On September 8, 2004, after many meetings and much deliberation, the Commission arrived at consensus on the following recommendations for changes in Montana K-12 education.

- Building a quality education on the foundation of the Montana Accreditation Standards
- Providing greater flexibility in the school calendar to expand learning opportunities and professional development
- Studying the regionalization of education services
- Eliminating barriers to voluntary consolidation of school districts, both statutory and financial
- Supporting a statewide school district employee insurance pool with state incentives for participation
- Restoring the position of Gifted and Talented Specialist and funding professional development and other outreach services
- Phasing in increased state support for Special Education services
- Providing adequate funding to cover the costs of operating and maintaining quality public elementary and secondary schools
- Modernizing revenue and taxation to promote equalization for taxpayers and schools to balance the benefits and burden
- Supporting state funding to expand kindergarten services [supported by majority consensus with dissenting Commissioners]
- Supporting state funding for *Indian Education for All* curriculum, policies, and rules
- Supporting state-facilitated public/private partnerships for local summer programs and extended school programs [supported by majority consensus with a dissenting Commissioner]
- Recognizing the importance of an adequate infrastructure [physical plant and equipment] as a key component of a quality education

The Commission reported their recommendations to the Legislative Interim Committee on Education and Local Government. (The full report is found in Section II of this report.) The Legislative Committee endorsed the recommendations of the Renewal Commission and urged individual lawmakers to carry the ideas to the 2005 Legislature.

The members of the Commission used a focused decision-making process to arrive at their recommendations. All members had an opportunity to be heard in a frank and respectful manner and all information was shared equally. Decisions were reached after full and open participation, all views were weighed without prejudice, and all relevant information was shared among commissioners before a decision was reached.

The 28 Commission members represented a broad range of education stakeholders, including legislators, parents, state and county officials, educators, and the private sector. They met 17 times over a period of 15 months. The seven members who were designated as the Core Group by HB736 held two organizational meetings in July and August of 2003. They selected an additional 21 members from nominations made by key stakeholder groups.

In addition to the regular meetings of the Commission, members committed additional time to more fully address challenging issues. Three working groups were appointed to focus on Taxation and Revenue, Regional Services, and Barriers to Consolidation. Small groups researched funding formulas, extended school opportunities, cultural education, full-day kindergarten, educator recruitment and retention, and quality infrastructure. Representatives of the Commission met twice with the Legislative Interim Tax Reform Study Committee.

An outpouring of resources and support was received from the public, organizations, and agencies that made presentations and provided studies, reports, maps, publications, and other materials for the Commission.

The Montana K-12 Public School Renewal Commission worked together to comprehensively examine Montana's K-12 education system. The Commission's goal was to offer viable recommendations that would help the children of Montana receive an effective, understandable, adequately funded, sustainable, and efficient education.

II. Findings and Recommendations of the Commission

The School Renewal Commission began their work in the summer of 2003 using a facilitation process provided by the Montana Consensus Council. In March of 2004, after a review of the increasing workload and decreasing budget, the process was modified. With greater reliance on the leadership role of the chair and vice chair, and increased staff support from the Governor's Office and the Board of Public Education, a practical consensus process evolved. Decision making was an open participatory process, encouraging full expression of ideas and opinions before a decision was made. The chair was instrumental in assuring that all members had an opportunity to be heard in a frank and respectful manner, and that all relevant information was shared equally.

Based on the individual merit of the issues, items were moved by consensus agreement to a list which would be considered at a later date. The members then reviewed the items on that list, known as the parking lot, for possible recommendation by the Commission. Votes were taken with a visibly demonstrated "thumbs up" to affirm, "thumbs down" to disagree, or "thumbs sideways" to indicate disagreement but not to the extent of veto. If an item received all thumbs up or had some thumbs sideways, it was considered as a recommendation approved by consensus. If a vote included thumbs down, but had majority support, the recommendation was considered approved by majority consensus.

The recommendations of the Commission were compiled into the report that appears on the next five pages. That report is also available on the Board of Public Education Website at http://www.bpe.state.mt.us/. The report of the Commission's Findings and Recommendations was presented to the Legislative Interim Education and Local Government Committee on September 15, 2004, by the Commission Chair, Lieutenant Governor Karl Ohs, and the Vice Chair, Dr. Kirk Miller. The Legislative Committee endorsed the recommendations and urged individual lawmakers to carry the ideas to the 2005 Legislature.

Montana K-12 Public School Renewal Commission
Findings and Recommendations,
September 15, 2004

The Montana K-12 Public School Renewal Commission will research and provide recommendations regarding the provision of a basic system of free, quality elementary and secondary schools.

HB House Bill 736, passed by the Fifty-third Montana Legislative Assembly, established a Montana K-12 Public School Renewal Commission to propose changes and new provisions regarding the several components of K-12 public education in Montana, including the revenue available for public education, the structure of school district governance, the methods of funding public education, and the roles of state and federal governments in public education.

The twenty-eight members of the Commission held fifteen meetings between July 2003 and September 2004, and are submitting this report of commission findings and recommendations to the Education and Local Government Interim Committee on September 15, 2004. A full report will be published by December 2004.

1.
Concept: Accreditation Standards
Statement: The Commission agrees that the Montana Accreditation Standards are the foundation upon which a Montana quality education should be built.
Vote: Consensus
Date of Vote: October 13, 2003

2a.
Concept: Flexibility
Statement: The Commission recommends greater flexibility in the school calendar and time (days/hours) requirements. The Commission also supports encouraging local school districts to provide expanded learning opportunities addressing the unique learning needs of all students by flexing time and resources.
Vote: Consensus
Date of Vote: August 16, 2004

2b.
Concept: Pupil Instruction Related Days
Statement: The Commission recommends greater flexibility in the school calendar and time (hours/days) requirements, without reducing the minimum aggregate hours of pupil instruction required by law, to allow local school districts to provide expanded professional development opportunities.
Vote: Consensus
Date of Vote: August 16, 2004

3.

Concept: Regionalization of School Services

Statement: The Commission strongly recommends an intensive study of regional Education Service Agencies (ESA) as a key component in restructuring and renewing public education in Montana. Through hours of deliberate discussion, research, and analysis of ESAs in other states, working group members determined that intensive study of this issue is warranted, as the potential benefits of an effective ESA system include:

- enhanced opportunities for students and educators;
- more streamlined and effective partnerships between state and local education governance;
- significant cost savings;
- greater accountability, communication, and coordination between local school districts.

Vote: Consensus

Date of Vote: August 16, 2004

4a.

Concept: Remove Statutory Barriers to Consolidation

Statement: The Commission recommends that statutes be clarified to eliminate barriers to voluntary consolidation of school districts. Eight specific recommendations were identified. The Commission recommends no change in state statute in five specific areas.

Vote: Consensus

Date of Vote: August 16, 2004

4b.

Concept: Remove Financial Barriers to Consolidation

Statement: The Commission recommends that tax inequities between school districts be addressed and that any new funding formula avoid building in disincentives to consolidation. The Commission believes that some structural features of the current funding system and the current taxation system create disincentives to consolidation when such consolidation might otherwise make sense. These structural features include:

- the fact that the basic entitlement is the same for districts of every size;
- the fact that the taxable valuations available to support schools vary widely from district to district

Vote: Consensus

Date of Vote: August 16, 2004

5.

Concept: Educator Recruitment and Retention

Statement: The Commission supports statewide school district employee insurance pooling with state incentives for participation.

Vote: Consensus

Date of Vote: July 19, 2004

6.

Concept: Gifted and Talented

Statement: The Commission supports legislation which would restore the position of Gifted and Talented Specialist in the Office of Public Instruction with an appropriate budget for an advisory council, professional development, liaison activities with post-secondary teacher preparation programs, and other outreach services.

Vote: Consensus

Date of Vote: July 19, 2004

7.

Concept: Special Education

Statement: The Commission supports legislation which would begin to "phase in" increased state support for Special Education for such programs as services for "high cost" students with disabilities, preschool services, extended school year services, and professional development activities. Increased state support for special education should be provided in a balanced manner with the goal of offsetting local expenditures for special education.

Vote: Consensus

Date of Vote: July 19, 2004

8.

Concept: Finance

Statement: The Commission recommends that all districts must receive adequate funding to cover the costs of operating and maintaining quality public elementary and secondary schools. This includes funding adequate to assure the following:

- An education that meets all standards and laws that govern the operation of public schools. This includes but is not limited to the Board of Public Education's accreditation standards, which constitute the foundation upon which a quality education is to be built.
- That all districts are able to attract and retain quality educators.
- Educational services that directly address the unique needs of all children, which includes at-risk, special needs, cultural differences, limited English proficient, and gifted and talented students.

Vote: Consensus

Date of Vote: September 8, 2004

9.

Concept: Revenue and Taxation Modernization

Statement: The Commission recommends the following revenue and taxation revisions to support school funding:

a. Implementation of a statewide equalization plan with an emphasis on homeowner equity and uniform property taxation.
b. Funding the base budget using statewide equalization.
c. Using **equalized funding** to fund 80-100% (maximized) budget.
d. Using a balanced taxation approach that includes existing statewide taxes such as property taxes, income taxes, and natural resource taxes

and also considers new revenue such as a general statewide sales tax to be used as a **mechanism for equalization.**

e. Using a balanced taxation approach that includes existing statewide taxes such as property taxes, income taxes, and natural resource taxes and also considers new revenue such as a general statewide sales tax to be used as a **mechanism for funding quality public schools.**

Vote: Consensus
Date of Vote: August 16, 2004

10.
Concept: Full Day Kindergarten
Statement: The Commission strongly supports the benefits of expanding kindergarten services to improve student learning and achievement and supports the Montana Legislature providing the statutory and budgetary flexibility to school districts so they can offer additional kindergarten services for all students. School districts should receive state funding proportionate to the level of service they provide for kindergarten students ranging from half time to full time programming.
Vote: Majority consensus (dissenting votes recorded)
Date of Vote: August 16, 2004

11.
Concept: Cultural Education
Statement: The Commission supports state-funded Indian Education for All curriculums and polices/rules developed through partnerships led by the Office of Public Instruction, Board of Public Education, and legislature including Indian educators, tribes, and others. These partnerships will develop and implement:

- Policies/rules that support and insure that all schools provide the necessary guidance to the school instructional staff and programs to include culturally appropriate instruction for students.
- Professional development for all school personnel to insure they are adequately prepared to provide instruction and supportive services for all students, including Indian students.
- Curriculum development and supportive instructional resources necessary to meet state accreditation guidelines as well as local district standards to integrate culturally appropriate American/Montana Indian Lessons in all curricular areas in grades K-12 for all students.
- Assessments standards that incorporate measurements for the achievement of all students and are tied to the goals of Indian Education for All.

These partnerships will provide educational opportunities to eliminate the wide disparity in educational achievement that exists between the American Indian students in Montana's Public Schools and their non-Indian peers as clearly documented by educational achievement research and data.
Vote: Consensus
Date of Vote: August 16, 2004

12.

Concept: Flexibility

Statement: The Commission supports state facilitated public/private partnerships for locally based summer programs and extended school programs for identified students.

Vote: Majority consensus (dissenting vote recorded)

Date of Vote: August 16, 2004

13.

Concept: Quality Infrastructure

Statement: The Commission recognizes that adequate infrastructure, in the form of physical plant and equipment, is a key component of a quality educational system. Overcrowded, substandard and inappropriate facilities negatively impact the learning environment. Although the Renewal Commission did not have the time or resources to explore in detail the infrastructure needs of Montana schools, the Commission recognizes:

- The importance of quality infrastructure;
- The unequal resources available to individual school districts to meet their infrastructure needs.

Vote: Consensus

Date of Vote: August 16, 2004

III. K-12 School Renewal Commission Meeting Summaries

The Commission held 17 meetings at the State Capitol Building in Helena, between July 2003 and September 2004. Each meeting is outlined in this section, but the full minutes of the meetings can be found at http://www.bpe.state.mt.us/.

July 11, 2003, Lieutenant Governor Karl Ohs presiding

- The Core Members of the School Renewal Commission met at the Montana State Capitol
- Attending:
  –Governor Judy Martz
  –Kirk Miller, Chair of the Board of Public Education
  –Supt. Linda McCulloch, Office of Public Instruction
  –Rep. Pat Wagman, representing Doug Mood, Speaker of the House
  –Sen. Bob Keenan, President of the Senate
  –Rep. Holly Raser, representing the minority leader of the House
  –Sen. Don Ryan, representing the minority leader of the Senate
- Dr. Kirk Miller presented an overview of the work of the Commission and Board of Public Education's position on public school funding. (See Appendices D and E.)
- Sixteen stakeholder groups were selected to identify representatives to serve on the Commission. The Core Members discussed the importance of functioning free of politics, and recognized the value of differing viewpoints.

- Resources/materials used at this meeting:
  "Position Paper on Public School Funding and Structure,"
  Montana Board of Public Education, November 22, 2002

August 4, 2003, Senator Don Ryan presiding

- Lt. Governor Karl Ohs will serve as Governor Judy Martz's representative on the Commission.
- The Core Members finalized appointments to the Montana K-12 Public School Renewal Commission from those submitted by the stakeholder groups. The legislation directed the Core Members to select an additional 10 to 25 members to serve on the commission. Twenty-one additional members were selected, representing the 16 identified stakeholders, four at-large members, and the Department of Corrections (designated in HB736).
- Kathy Van Hook of the Montana Consensus Council (MCC) provided the group with information about the services of her organization. A decision was made to hire MCC to facilitate the work of the School Renewal Commission.
- The Commission budget was discussed. The legislature appropriated $10,000 for the work of the Commission, and members addressed the need to obtain additional resources from donors or through grant funding.

August 18, 2003, Senator Bob Keenan presiding

- At this first meeting of the full Commission, the members introduced themselves.
- Ground rules and a work plan were adopted. (See Appendices G and H.) The members agreed to seek consensus on issues and options. When unable to reach consensus, the Commission will provide a description of points of agreement and disagreement.

September 8, 2003, Dr. Kirk Miller presiding

- One consistent alternate for each Commissioner was named to be present and be involved in the consensus process in the absence of the appointed member. Alternates for each Commission member were approved.
- The group heard presentations on the structure of school district governance and methods of funding public education by Steve Meloy, Lance Melton, Jules Waber, Jeff Weldon, Madalyn Quinlan, and Bob Runkel.
- Key questions were identified that would provide a base for making recommendations to the Interim Committee and the legislature.

- Resources/materials for this meeting:
  - Power Point presentation, Montana Office of Public Instruction, August 2003
  - "Article VI – The Executive, and Article X – Education and Public Lands," *Constitution of the State of Montana*, 1972 as amended
  - "Chapter 20 – Education," *Montana Codes Annotated (MCA),* State of Montana, 2003
  - "K-12 Special Education Finance," Montana Office of Public Instruction, September 2003
  - "Position Paper on Public School Funding and Structure," Montana Board of Public Education, November 22, 2002
  - "Communication, Education, and Independence for Life," Montana School for Deaf & Blind Children, Steve Gettel, September 8, 2003
  - "MASBO Budget Workshop Booklet," Montana Association of School Business Officials, September 5, 2003
  - "Education Governance in Montana," two-page chart of officials and boards, September 8, 2003
  - "Basics of School Funding," Montana Office of Public Instruction, overhead presentation
  - *Adequacy and Education Finance,* National Conference of State Legislatures (NCSL), National Center on Education Finance, September 2003

September 29, 2003, Representative Holly Raser presiding

- The Commission reviewed the purpose statements, ground rules, and work plan.
- Presentations were given on:
  - revenue available for public education - Madalyn Quinlan, Jim Standaert and Amy Carlson
  - the role of state and federal government in public education – Cathy Warhank and Norma Bixby
  - tribal education in Montana - Norma Bixby

- Key questions were offered and added to the list of key questions from the prior meeting.
- Discussions have been ongoing to determine possible sources of funding for the work of the Commission.

- Resources/materials for this meeting:
  - "Barriers to Consolidation and Options for Efficiency," MTSBA and MREA
  - List of questions and concerns about school funding and governance, School Renewal Commission, Sept. 8, 2003 meeting
  - "Position Paper on Public School Funding and Structure," MBPE, 11/22/02
  - "Montana K-12 Public School Revenues," OPI, 9/28
  - "Trends in funding – all funds – School Profile Definition," OPI, 9/28/2003
  - "Historic Funding Increase by Source Compared to CPI-U Inflation," OPI, 9/29/03
  - K-12 Revenues in Montana, 1992-2002, Leg. Fiscal Division, Jim Standaert, 9/26/03
  - Federal Grant Expenditures for FY 2003, FY 2004, OPI, 9/23/2003
  - Distribution of revenues available to district, memo from Governor's Office of Budget and Program Planning, Amy Carlson, Sept 29, 2003
  - Federal Legislative History of Special Education, OPI, 9/29/03
  - "Article VI – The Executive, and Article X – Education and Public Lands," *Constitution of the State of Montana*, 1972 as amended
  - "Chapter 20 – Education," *Montana Codes Annotated (MCA)*, State of Montana, 2003
  - "Chapter 10 – Education," *Administrative Rules of Montana (ARM)*, State of Montana, 2003

<u>October 13, 2003, Representative Doug Mood presiding</u>

- The Commission had a lengthy exchange of ideas related to defining a basic system of public education and the need to examine adequacy, quality, funding, revenue sources, and structure of governance of public education. After much discussion, the Commission affirmed that the existing state school accreditation standards are fundamental to a quality public education and adopted the following statement:

  The Commission agrees that the Montana Accreditation Standards are the foundation upon which a Montana quality education should be built.

- More key questions were identified and added to the list from previous meetings.
- A list of the Components of Quality was generated. (See Appendix I.)
- Discussions continued on the pros and cons of small discussion groups vs. discussions as a committee of the whole.

- Resources/materials for this meeting:
  - Augenblick and Myers Adequacy Study of Montana Public Education, 2002 (PDF format)

"Explanation of Professional Judgment Model," National Conference of State Legislatures (NCSL), 2003
Montana School Accreditation, Standards and Procedures Manual, Board of Public Education and the Office of Public Instruction, June 2001
"Explanation of Professional Judgment Model," National Conference of State Legislatures (NCSL), 2003
Sen*ate Bill No. 411*, introduced by Senator Bill Glaser in the 2003 Legislature, defining "Quality Public Elementary and Secondary Schools," including changes from the MTSBA

November 3, 2003, Superintendent Linda McCulloch presiding

- Commission members determined that a single chair was preferable to rotating the chairmanship among the Core Group. Lt. Gov. Karl Ohs was chosen as chair and, in the absence of the chair, Kirk Miller the first alternate and Linda McCulloch the second alternate.
- Proposed vision and mission statements were reviewed and revised to be distributed by the next meeting.
- Discussions centered on seeking a definition of a quality education. Several documents were reviewed as part of the discussion. Many concerns were raised and key questions were identified to add to the previous list of questions.
- Some revisions were made to the Commission Work Plan.

- Resources/materials for this meeting:
  "Overview of School Transportation Laws of Montana," OPI, November 2003
  Senate Bill 424, introduced by Senator Linda Nelson and passed by the 58th Legislature, 2003
  "Selected Bus and Pupil Statistics FY 1999 through FY 2003," OPI, November 2003
  "An Update of the Montana Statewide Education Profile - School Facilities," OPI, November 2003
  School Facilities, Profiles of School Condition by State, United States General Accounting Office, June 1996
  K-12 Education, 2003 Legislative Session Summary of Legislation Related to K-12 Education, printed by the Office of Public Instruction, with contributions from the Montana Association of Business Officials, Montana Rural Education Association, Montana School Boards Association, School Administrators of Montana, and MEA-MFT, June 2003.
  "2002 Annual Report, Montana School Nutrition Programs," Office of Public Instruction, March 2003
  Calculation of the Cost of a Suitable Education in Montana in 2001-2002 using the Professional Judgement Approach, report prepared by John Myers and Justin Silverstein of Augenblick & Myers, Inc., for the MSBA, MQEC, MREA, MASBO, and MACSS, August 2002,.
  "Basic Quality Education, an Interim Report Summary," Board of Public Education, State of Montana, 1975
  "Components of Quality Matrix," compiled by K-12 School Renewal Commission 2003
  "Basic Quality Education Report 1975 vs. Current System," compiled by K-12 School Renewal Commission, 2003
  "Schooling Practices that Matter Most," Northwest Regional Educational Laboratory

November 24, 2004, Lieutenant Governor Karls Ohs, Chair

- Vision and mission statements were reviewed.
- Options for making systems for public education more efficient and effective were discussed, which centered on incentives for making the systems more efficient and effective, revenue streams, and regional delivery systems.
- Quality Education discussion continued.

- Resources/materials for this meeting:
  "Explanation of Professional Judgment Model," National Conference of State Legislatures (NCSL), 2003
  "Fiscal 2002 Enrollment, Total Spending and Total Revenue Per Student, All Districts," Montana Office of Public Instruction, 2003
  "Barriers to Consolidation and Options for Efficiency," MTSBA, 2003
  "School Reorganization in Montana – A time for decision?," report prepared for the Montana School Boards Association, former Governor Ted Schwinden, director, 1993
  "Title 20 – Education," *Montana Codes Annotated (MCA)*, State of Montana, 2003
  "Quality of Education Decision Matrix," compiled by K-12 School Renewal Commission, 2003
  Public School Financing Advisory Council Report, Governor's Advisory Council for School Funding, Montana Governor's (Schwinden) Office, 1988
  Alaska Standards for Culturally Responsive Schools, Assembly of Alaska Native Educators, February 3, 1998
  Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations, Montana Governor's (Martz) Office, December 31, 2001 – Subcommittee on Consolidation Report, Fall of 2001

January 12, 2004, Lieutenant Governor Karl Ohs, Chair

- The Definition of Quality Education was again discussed. Materials were reviewed and presentations made concerning efficient and effective structures. Presenters included Brian Talbott, Executive Director, Association of Educational Service Agencies (AESA); Dave Puyear, MREA; Lance Melton, MSBA; Sen. Don Ryan; Kris Goss.
- Working groups were established to focus on specific issues:
  – barriers to consolidation
  – regional delivery systems
- Vision and mission statements were again discussed and by consensus the Commission rejected a mission statement and adopted the following vision statement.

> *The Montana K-12 Public School Renewal Commission will research and provide recommendations regarding the provision of a basic system of free, quality elementary and secondary schools.*

- Resources/materials for this meeting:
  "Barriers to Consolidation and Options for Efficiency," MTSBA, 2003
  "Basic Quality Education Report 1975 vs. Current System," compiled by K-12 School Renewal Commission, 2003
  Quality Education Matrix

February 23, 2004, Lt. Governor Karl Ohs and Kirk Miller presiding

- Reports were received from the working groups: Regionalization and Barriers to Consolidation.
- Discussions continued on efficient and effective structures. An update was received on the work of the Legislative Tax Policy Interim Committee from Larry Finch, Administrator of Tax Policy and Research. Matt Bugni of OBPP presented information on BASE district mills, and Jim Standaert, LFD, discussed other state processes.
- A third working group was authorized to focus on funding issues: the Maps Working Group (later the title was changed to Taxation and Revenue Working Group)
- A discussion of the Definition of Quality Education was guided by a matrix of quality education that was derived from an amalgamation of research compiled by Rep. Verdell Jackson and developed by Kris Goss. (See Appendices I and J.)

- Resources/materials for this meeting:
  "Quality Education Matrix: Concept of Quality," compiled by the K-12 School Renewal Commission, derived from:
  The Cardinal Principles of Secondary Education, 1918
  Basic Quality Education, Montana Board of Public Education, 1975
  Senate Bill 411, 2003 Legislative Session
  Montana School Accreditation, Standards and Procedures Manual, Board of Public Education and the Office of Public Instruction, June 2001
  Montana Maps: Natural Resource Information System, Montana State Library
  –BASE mills for Elementary and High School Combined, FY2004, NRIS #04GOV0002-1, 2/19/2004
  Extended day and preschool opportunities
  Gifted and talented

March 15, 2004, Lt. Gov. Karl Ohs presiding

- The Commission made changes in facilitation of the group to ensure that resources were being effectively utilized.
- A "parking lot" concept was to be utilized as an intermediate place for ideas that merit consideration for recommendation but need time for full discussion before having to arrive at a final decision.
- The Gifted and Talented issue was placed in the parking lot.
- The three working groups reported on their progress.
- Funding formula ideas were considered.
- The revenue picture for K-12 funding was reviewed.
- Work continued on Quality Education issues:
  - gifted and talented
  - school nutrition
  - special education

- Resources/materials for this meeting:
  - "Bright Child vs. Gifted Learner"
  - Gifted and Talented Program forms, Corvallis Public Schools, 2003-04
  - Corvallis Gifted and Talented Program, Differentiated Education Plan
  - Corvallis Gifted and Talented Program, Identification Form"
  - Corvallis Teacher Rating Scale
  - Montana Maps: Natural Resource Information System, Montana State Library:
    - –BASE Mills for Elementary and High School Combined, FY2004, NRIS #04GOV0003a-1, 3/5/2004
    - –BASE Mills for Elementary FY2004, NRIS #04GOV0003a-2, 3/5/2004
    - –BASE Mills for High School Combined, FY2004, NRIS #04GOV0003a-3, 3/5/2004
    - –Change in Estimated Mills, Statewide Equalization of District Base Budgets (66.2 Mills) FY2004 EL and HS Districts combined, NRIS #04GOV0003a-4, 3/5/2004
    - –Change in Estimated Mills, Statewide Equalization of District Base Budgets (38.9 EL Mills) FY2004, NRIS #04GOV0003a-5, 3/5/2004
    - –Change in Estimated Mills, Statewide Equalization of District Base Budgets (27.6 HS Mills) FY2004, NRIS #04GOV0003a-6, 3/5/2004
  - "Montana K-12 District Sources of Revenue, Fiscal Year 2003," Jim Standaert, Legislative Fiscal Division, State of Montana, March 15, 2004

<u>April 26, 2004, Lt. Governor Karl Ohs presiding</u>

- Risk pool funds to support special education, placed in parking lot.
- Heard reports from three working groups:
  - Barriers to Consolidation Working Group brought draft of recommendations for Commission consideration
  - Regionalization working group brought information on OPI survey, not ready to bring recommendations.
  - MAPS working group has no recommendations to make at this time
- Continued work on Quality Education:
  - Special Education
  - General Instruction
  - Funding Formula Reforms

- Resources/materials for this meeting:
  - "Special Education Key Issues for Montana Public School Renewal Commission," Office of Public Instruction, April 26, 2004
  - "Brief overview of Quality Education/Quality Schools efforts over the years in Montana" – includes a table, Verdell Jackson, April 2003
  - *The Educational Pipeline: Big Investment, Big Returns; Policy Alert,* The National Center for Public Policy and Higher Education, April 2004

Breaking Ranks II, Strategies for Leading High School Reforms - Summary, National Association for Secondary School Principals, 2004
Eight Conditions that Affect Aspirations, The Global Institute for Student Aspirations, Endicott College, Beverly, MA
Key aspects of Judge Sherlock's Decision Pertaining to the Requirements of a Constitutional Funding System, 2004

May 17, 2004, Kirk Miller and Lt. Governor Karl Ohs presiding

- Several items placed in parking lot: educator loan repayment, insurance pooling, transportation funding, facilities (complicated), Barriers to Consolidation Working Group recommendations, gifted and talented.
- Continued work on Quality Education:
  - gifted and talented
  - professional development
  - insurance pooling
  - educator loan repayment
  - salaries
  - quality infrastructure
- Reports were received from the three working groups:
  - School Taxation and Revenue Working Group (the name was changed from Maps) presented draft recommendations from their group.
  - Regionalization Working Group felt issues too complex to resolve before September deadline.
  - Barriers to Consolidation Working Group brought subcommittee recommendations.
- Report from Core Group meetings with attorneys in School Funding Litigation.

- Resources/materials for this meeting:
  "An Example of Power Equalization, Four Districts," Legislative Fiscal Division, Jim Standaert, 2004
  "Salary survey," Augenblick & Myers study, 2003

June 28, 2004, Lt. Governor Karl Ohs presiding

- Working groups made presentations:
  - School Taxation and Revenue Working Group brought recommendations as modified at the last Commission meeting.
  - Regionalization Working Group indicated they will not be able to have resolution of recommended regional boundaries by September but would look at proposed concepts for consideration. A recommendation was made to continue the work of this group beyond the scope of the Renewal Commission.
  - Barriers to Consolidation Working Group provided a correction to their previous recommendations.
- The recommendations from the three Working Groups were placed in the parking lot.
- Funding formula changes were discussed.
- The Commission budget/expenditures were reported as about $35,000 spent to date.
- Discussion continued on the items in the Quality Education Matrix. Currently eleven items are in the parking lot:
  - full-day kindergarten
  - summer opportunities
  - cultural education
  - extended school opportunities

- gifted and talented
- at-risk students
- special education
- educator recruitment and retention
- quality infrastructure
- remove barriers to efficiency
- revenue and taxation modernization

- Cost estimates for various items in the parking lot were discussed.

- Resources/materials for this meeting:
  "Early Childhood Development: Economic Development with a High Public Return," Art Rolnick and Rob Grunewald, Federal Reserve Bank of Minneapolis
  "K-12 Public School Funding Study, Structure of School Funds," Report of a working group of the Governor's Advisory Council on School Funding, November 1, 2001

July 19, 2004, Lt. Governor Karl Ohs presiding

- A subgroup working on funding formulas spoke to the funding formula and need to be based on relevant factors. There was discussion that a proposal to change the formula would be complicated and require consideration of many other factors. The issue was placed in the parking lot. (See Appendix K.)
- Information was presented from a student survey conducted by Erik Engellant.
- There was discussion about moving several items from the parking lot to draft recommendation for action at the next meeting. The ground rules for doing that were reviewed.
- Recommendation statements were reviewed and revised. Those receiving unanimous consensus votes (all thumbs up) were:
  - gifted and talented
  - special education
  - recruitment and retention - health insurance pool
- Concerns were raised about the language and content of some of the other recommendations, and those will be carried over for consideration at the next meeting. Items to be discussed at the next meeting for possible recommendation in the final report were:
  - summer opportunities
  - cultural education
  - extended school opportunities
  - at-risk students
  - quality infrastructure
  - full-day kindergarten
  - remove barriers to consolidation
  - regionalization of school services
  - revenue and taxation modernization
  - modern funding system

- Resources/materials for this meeting:
  "K-12 SHIP Working Group 'Agreement Statements', a Report to the Montana Renewal Commission," July 18, 2004, a report on a statewide K-12 health insurance program
  "School Bond File, Montana K-12 Bond Information," Kris Goss, July 18, 2004

"Special Education Cost Estimates," Bob Runkel, OPI, July 2004

August 16, 2004, Lt. Governor Karl Ohs presiding

- Several items were considered for final recommendations of the Commission. The members were reminded of the ground rules established for voting on recommendations:
  Thumbs up: I agree and will support this recommendation.
  Thumbs sideways: I'm neutral or may not prefer this recommendation or action but I will support it.
  Thumbs down: I cannot support this recommendation or action.
- With some amendments and revisions, the following received unanimous consensus (all thumbs up):
  - summer opportunities and extended school opportunities - greater flexibility in school calendar
  - professional development – Pupil-Instruction-Related days
  - remove barriers to consolidation – statutory and financial
  - regionalization of school services
- Majority consensus was obtained on the following (some thumbs sideways):
  - Cultural education. *Neutral votes*-Commissioner Bob Keenan stated that he supported this statement but was concerned that he hadn't had adequate time to look over the statement. Commissioner Doug Mood was uncomfortable with the linking of the two subjects; need to address cultural education separate from dropout rate as the dropout issue is not exclusive to the Indian population.
  - Quality infrastructure. *Neutral votes*-Commissioner Keenan stated that he didn't recall receiving this information prior to the meeting, therefore, needed more time. Commissioner Pat Wagman felt this issue would likely be the next lawsuit and he needed more time to digest the statement.
  - Revenue and taxation modernization. *Neutral votes*-Commissioner Pat Wagman stated that he doesn't have a good enough understanding of the issues. Commissioner Doug Mood supports the proposal but a number of tax proposals on the surface are excellent and the die in the legislature due to fierce opponents. Commissioner Mary Whittinghill fears that they will end up being a total package and might get lost as separate items when they are proposed as a whole package. Commissioner Keith Allen personally supports this but the organization he represents (AFL/CIO) opposes a sales tax.
- Majority consensus was obtained on the following (some thumbs sideways) with dissenting votes (some thumbs down):
  - Full-day kindergarten. *Neutral votes*-Commissioner Steve Gibson feels this statement is "building in" discrimination. Commissioner Gibson also felt strongly that full day kindergarten should be voluntary for both schools and students. *Dissenting votes*-Commissioner Doug Mood felt it was not desirable to prioritize how to spend money, feels it is more important to spend resources on teachers' salaries. Commissioner Mary Whittinghill would support a statement that strongly encourages the legislature to look at the benefits of expansion of our current kindergarten in terms of state funding, studies. She believes this issue warrants further research to fully understand the implications of expansion of the program. Commissioner Pat Wagman reiterates what was previously stated. Commissioner Bob Keenan believes MCA 20-7-117 speaks adequately to the issue. (Mood, Whittinghill, Wagman, Keenan cannot support)
  - Summer and extended school opportunities for identified students. *Dissenting Votes*-Commissioner Eric Feaver indicated his non-approval of the statement with the word "private" included. (Feaver cannot support)
- A subgroup will continue to work on language for a funding formula recommendation.

September 8, 2004, Lt. Governor Karl Ohs presiding

- At this final meeting of the K-12 School Renewal Commission, a modern funding system recommendation was presented by the subgroup researching the topic. After a full discussion, with some revisions, the recommendation received unanimous consensus.
- Previously accepted recommendations were reviewed for consistency and accuracy.
- Members were reminded of two consensus approvals made earlier in the committee process:
  - the accreditation standards as the foundation for a quality education (October 13, 2003)
  - the vision statement (January 12, 2004)
- The final slate of recommendations was adopted.
- The charge to the Renewal Commission was reviewed, and the final budget report indicated that funding for the Commission totaled approximately $45,000,
- A final report of the Renewal Commission will be funded via the Board of Public Education. Dori Nielson will prepare the report.
- The Commission members were commended for their diligence and hard work.

- Resources/materials for this meeting:
  "School Based Funding Model," Wyoming School Boards Association

IV. K-12 School Renewal Commission Working Groups

1. Regionalization Working Group

Chair: Kirk Miller
Participants: Holly Raser, Cathy Day, Ron Laferriere, Jules Waber, Erik Burke, Bud Williams, Madalyn Quinlan, Steve Meloy, Kris Goss, Dave Puyear

February 4, 2004, conference call

- Discussed services available from Association of Educational Service Agencies (AESA)
  - Brian Talbott, executive director, AESA, discussed their services and information about other states
- Want survey to discover what currently exists in Montana
- Looked for successes and reasons why some efforts have failed
- Reviewed Montana Interlocal Agreement statutes
- Discussed role of distance learning in regional service organizations
  - Dr. Paul Rowland, UM Dean of Education, presented a pilot project

March 10, 2004, conference call

- Survey sent to state groups to learn about current regionalization efforts
- Discussed selection of peer states to examine other states' models
- Identified service needs for regional structures
- Discussed delivery models
  - Susan Bailey-Anderson, OPI, discussed special education professional development model (CSPD)
- Talked about funding mechanisms

April 7, 2004, conference call

- Discussed results of survey of current Montana regional efforts (Appendix L)
- Talked about choice of peer states for regional efforts models
- Determined need to see map of current state regions for MASS, CSPD, Special Education Cooperatives, and curriculum cooperatives/consortia
- Discussed funding and delivery models

May 12, 2004, conference call

- Examined updated Montana survey results, categorized into three categories identified in research: educational services, staff development and curriculum support, and general office and management support
- Discussed map of Montana with all regional service agencies superimposed
- Determined peer state selection as Arizona, Colorado, Nebraska, Washington or Oregon, and possibly Ohio
- Established a list of Concepts for Consideration
- Continued funding and delivery model discussions

June 14, 2004, Peer States video conference

- Peer states included in video conference (Appendices M and N):
  - Oregon - Multnomah School District
  - Iowa - Grant Wood Area Educational Agency 10, Cedar Rapids
  - Arizona - Pinal County Education Service Agency
  - Nebraska - Educational Service Unit 10
  - AESA - Brian Talbott, Executive Director
- Provided an overview of the School Renewal Commission and the Regionalization Working Group
- Discussed concepts of regionalization working in each state, and how established, managed, and financed
- Established connections for future work

June 22, 2004, conference call

- Reviewed Peer State video conference results
- Determined need to contract for research person to develop options for Montana regional education service areas. OPI has since obtained a grant to create a more comprehensive and integrated approach to professional development. That project will incorporate research into regional education service areas.
- Approved a draft statement for report to full Commission

Final Report to full Commission from the Regionalization Working Group June 25, 2004

The Regionalization Working Group strongly views regional education service agencies (ESA) as a key component in restructuring and renewing public education in Montana. Through hours of deliberate discussion, research, and analysis of ESAs in other states, working group members have determined that intensive study of this issue is warranted. The potential benefits of an effective ESA system include:

- Greater efficiency in providing educational services
- Improved services in critical curricular areas
- Enhanced opportunities for students and educators
- More streamlined and effective partnerships between state and local education governance
- Significant cost savings
- Greater accountability, communication, and coordination between local school districts

We urge the renewal commission to support our ongoing effort to study and develop a regional, education service agency proposal that best serves the students, educators, and people of Montana.

Resources/materials for the Regionalization Working Group:

Administrative frameworks of Educational Service Agencies in Kansas, Minnesota, Indiana

"Appendix D: ESD Services Listing from Prior Studies," from *Survey of ESD Service Programs 1999/2000,* Moore, Breithaupt & Associates, February 2000

"A Brief History of the Effort to Develop a Montana System of Comprehensive Professional Development 1999-present, a paper by Kirk Miller, Board of Public Education, and Linda Peterson, OPI; February 17, 2004

"Eligibility of Educational Service Agencies for No Child Left Behind Programs"; memorandum by Leigh Monasevit, Kristin Tosh Cowan, and Alice Maginnis of Brustein & Monasevit, attorneys at law; Washington, DC; April 9, 2002

Education Service Agencies: Initiating, Sustaining, and Advancing School Improvement, Monette McIver, Mid-continent Research for Education and Learning (McREL), December 2002

"ESAs Serving Rural Areas: Shrinking Distances and Compensating for Size," *Perspectives,* A Journal of Research and Opinion About Educational Service Agencies, Volume 9, Association of Educational Service Agencies (AESA), September 2000

Educational Service Districts, Report 95-8, State of Washington Legislative Budget Committee, February 15, 1995

"Full Service Cooperatives," memo from Madalyn Quinlan, OPI, to Superintendent Linda McCulloch, November 21, 2003

"Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations," December 31, 2001, Subcommittee on Consolidation report: Fall of 2001

Montana ESA survey of the four peer states of Oregon, Iowa, Arizona, and Nebraska, OPI, 2004

"Montana ESA Survey," preliminary results of survey, K-12 School Renewal Regionalization Working Group, April 2004

Nebraska Educational Service Units (ESUs), A Study of Mission, Services, and Organizational Structure, Final Report, ESU Regionalization/Restructuring Task Force, December 2003

Nebraska Educational Service Units (ESUs), A Study of Mission, Services, and Organizational Structure, Executive Summary, ESU Regionalization/Restructuring Task Force, December 2003

"No Child Left Behind Act, Opportunities for America's Educational Service Agencies," report by Kay Graber for AESA, May 1, 2002

Oregon Education – The ESD Connection, Gerald Bennett, 2003

Oregon Education Service Districts map, table of area services, and general provisions, 2003

"Proving the Value of ESAs: The Challenge Continues," *Perspectives,* A Journal of Research and Opinion About Educational Service Agencies, Volume 7, Association of Educational Service Agencies (AESA), September 2001

School Reorganization in Montana – A time for decision?, report prepared by the Montana School Boards Association, former Governor Ted Schwinden, director, 1993

"Senate Bill 3016," Educational Service Agencies, legislation sponsored by Senators Carmichael and King, Mississippi Legislature, 2004 Regular Session

South Coast ESD Cascade Regional Programs, Oregon special education regional services, Coos Bay, Oregon

"Washington State's Educational Service Districts," Washington AESD 2004 Legislative Report, December 2003

"White Paper: A Case for Restructuring the Regional Service Agency System in Ohio," CELT, February, 2001

2. Taxation and Revenue (Maps) Working Group

Chair: Kirk Miller
Participants: Carmen McSpadden, Carter Christiansen, Holly Raser, Bob Keenan, Don Ryan, Bruce Messinger, Mary Whittinghill, Tonia Bloom, Bud Williams, Ric Floren, Kris Goss, Jim Standaert, Madalyn Quinlan, Steve Meloy, Matt Bugni

March 11, 2004, conference call

- Reviewed six maps showing FY2004 BASE and state-equalized scenario per elementary, high school, and combined districts
- Discussed map related items: state vs. local resources, centrally assessed property taxes, changing statewide mills, homeowner property tax, centrally assessed taxes
- Determined need to examine other states processes
- Discussed taxation policy proposals, coordination with other tax reform study groups
- Requested more state maps to demonstrate distribution of resources

March 25, 2004, in person and via conference call

- Examined data relative to statewide mills for oil/gas, property tax comparisons
- Desire for homeowner property tax equity across the state
- Discussed centrally assessed property tax options
- Heard descriptions of classification of taxes
- Planned report to the Legislative Interim Tax Reform Study Committee

April 21, 2004, conference call

- Reviewed three maps: scenarios of current BASE mills vs. equalized statewide property tax including oil, gas, coal revenues in BASE, above BASE, and off-set in fund balance reappropriated
- Discusses several tax scenarios, analyzing the effect on mills
- Developed a draft of policy recommendations and guidance concepts to refer to the full Commission.

April 26, 2004, lunch meeting

- Further review of maps
- More examination of at charts and maps of tax scenarios developed by Jim Standaert
- Review and revise policy recommendations

May 12, 2004, conference call

- Final review of policy recommendations and guidance concepts
- Arrived at consensus on policy recommendations

June 14, 2004, Legislative Interim Tax Reform Study Committee

- Lt. Gov. Karl Ohs and Kirk Miller represented the Commission at the Interim Tax Reform Study Committee meeting to present policy recommendations of the K-12 School Renewal Commission

June 28, 2004, Legislative Interim Tax Reform Study Committee

- Rep. Bob Keenan, Rep. Don Ryan, Kirk Miller, and Jim Standaert met with a workgroup of the Interim Tax Reform Committee consisting of Rep. Jill Cohenour,

Rep. Jim Peterson, Myles Watts, and Mary Whittinghill to discuss policy recommendations of the Taxation and Revenue Working Group

- Lt. Gov. Karl Ohs and Kirk Miller met later in the day with the Legislative Interim Tax Reform Study Committee for further discussions of the policy recommendations

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Report to full Commission from the School Taxation and Revenue Working Group of the Montana K-12 School Renewal Commission

May 17, 2004

Consensus Recommendations from the Working Group, to be Considered by the Legislative Interim Tax Reform Study Committee

Mission Statement

"In order to develop a sustainable system that equalizes tax burdens and benefits while maintaining local control, reduces the barriers to school efficiency, and develops revenues for funding quality education; the School Taxation and Revenue working group proposes the following guidance concepts and policy recommendations:

Policy Recommendations

1. Implement a statewide equalization plan with an emphasis on homeowner equity and uniform property taxation.
2. Fund the base budget using statewide equalization
3. Use weighted guaranteed tax base (GTB) or power equalization to fund 80-100% of budget.
4. A balanced taxation approach that includes existing statewide taxes such as property taxes, income taxes, and natural resource taxes and also considers new revenue such as a general statewide sales tax to be used as a mechanism for taxpayer equalization.
5. A balanced taxation approach that includes existing taxes such as property taxes, income taxes, and natural resource taxes and also considers new revenue such as a general statewide sales tax should be used as a mechanism for funding quality public schools.

Guidance Concepts

1. Achieve homeowner tax equity.
2. Proposals must consider the definition of a basic quality system of elementary and secondary schools in Montana.
3. Equalized residential mill value. (Residential mills should be worth the same regardless of the location.
4. Proposals must retain the equity components and should simplify understanding for the public.
5. Proposals must take into consideration current and/or future tax burdens to avoid extreme tax increases on a particular subgroup.
6. Revenue recommendations must be sustainable an reliable and have a mechanism for adjusting the budget to inflationary increases.

7. Proposals should consider other revenue currently used by schools such as centrally assessed property, commercial property, agricultural property, natural resources revenue and resort revenue to be shared equitably amongst all public school districts.
8. Other district budgeted funds (transportation, capital projects, retirement, building reserve, building, and adult education) should be financed using an equalized revenue source.
9. Fund balance reappropriated remains with the district and an incentive mechanism is developed to allow the funds to be reserved for "appropriate" future use.
10. Develop a method to ensure that revenue from natural resource utilization becomes a sustainable and predictable way to finance quality public education.

Resources/materials for the Revenue and Taxation Working Group:

"An Example of Power Equalization – Four Districts," Legislative Fiscal Division, State of Montana, 5/17/04

"FY 2004 BASE mills and state-funded BASE mills scenario per elementary, high school, and combined districts, Excel spreadsheet," Matt Bugni, Governor's Office of Budget and Program Planning , 2004

"Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations," Montana Governor's (Martz) Office, December 31, 2001

"How to Read a Property Tax Bill," Jim Standaert, Legislative Fiscal Division

Montana Maps: Natural Resource Information System, Montana State Library:
- BASE Mills for Elementary and High School Combined, FY2004, NRIS #04GOV0003a-1, 3/5/2004
- BASE Mills for Elementary FY2004, NRIS #04GOV0003a-2, 3/5/2004
- BASE Mills for High School Combined, FY2004, NRIS #04GOV0003a-3, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (66.2 Mills) FY2004 EL and HS Districts combined, NRIS #04GOV0003a-4, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (38.9 EL Mills) FY2004, NRIS #04GOV0003a-5, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (27.6 HS Mills) FY2004, NRIS #04GOV0003a-6, 3/5/2004
- Change in Estimated BASE Mills Statewide Equalization of District BASE Budgets (64.3 mills), FY 2004 EL and HS Districts combined, NRIS #04GOV0005-1, 4/11/200
- Change in Estimated BASE Mills Statewide Equalization of District BASE Budgets (70.2 mills), FY 2004 EL and HS Districts combined, NRIS #04GOV0005-2, 4/11/200
- Change in Estimated Mills (BASE and over-BASE) FY2004 EL and HS Districts combined, NRIS #04GOV0005-3, 4/11/2004
- Mill value per Elementary ANB, FY2004, NRIS #04LEG0004-1, 4/21/2004

"Potential Uses of Sales Tax Revenue for School Funding," memorandum to Tax Reform Study Commission from Amy Carlson and Matt Bugni, Governor's Office of Budget and Program Planning, March 24, 2004

Resource Adequacy Study for the New York State Commission on Education Reform, Abridged Version, Standard and Poor's School Evaluation Services, March 2004

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3. Barriers to Consolidation Working Group

Chair: John McNeil
Participants: Scott Seilstad. Tonia Bloom, Steve Johnson, Madalyn Quinlan, Bud Williams, Joan Anderson

February 16, 2004, conference call

- Examined the MREA and MTSBA task force document
- Discussed statutory requirements related to consolidation/annexation
  - public vote
  - bonded indebtedness
  - conditional/trial periods
  - tenure status of bargaining units
  - structure of new board

March 22,2004,

- Prepared list of technical barriers due to unclear statutory language
- Prepared another list of barriers due to financial, governance, and funding structures
- Discussed duties of trustees in consolidation transitions

May 14, 2004

- Discussed K-8 districts becoming K-12 districts

April 26, 2004, conference call

- Developed list of technical issues related to consolidation
- Approved final report to the Commission to be presented May 17, 2004

Report to full commission from the Barriers to Consolidation Working Group of the School Renewal Commission

Consolidation Issues

(as adopted by Commission on 8/16)

Background

There are currently 444 operating school districts in the State of Montana, down from 528 in 1991. This attrition is the product of demographic trends (primarily the loss of population in the eastern part of the state), which have caused the citizens of adjoining school districts to voluntarily vote to consolidate or annex, or which have resulted in school districts simply closing their doors for lack of students. Because the 444 operating school districts function in many circumstances with shared administration, a single joint board and a single master agreement governing staff salaries and benefits, there are actually 347 "administrative units."

The number of administrative units is summarized below.

K-12 Districts	55
Combined Districts (joint boards)	105
Independent Districts	177
Non-Operating Districts	8
State Funded Districts	2
Total Administrative Units:	**347**

Over the years the issue of the consolidation of school districts has been an ongoing and lively subject of public debate. The debate on consolidation generally deals with two important, but separate questions: (1) Does the consolidation of school districts save money? (2) Does the consolidation of school districts improve the quality of education? The School Renewal Commission did not have the staff or resources to engage in independent research into either of these questions, but it is worth citing several previous efforts to do so.

The Governor's K-12 Public School Funding Study Advisory Council issued a report in December, 2001, which contained the following conclusions.

> "...the Council was unable to find any clear data or information to suggest that a reduction in the number of districts would, as a broad and general proposition, automatically result in substantial cost savings or efficiencies in the delivery of educational services. While there may be individual instances where that might be the case, the information reviewed did not suggest that it would be the case in every instance."

The same report also concluded that the information available from recent experiences with consolidation "suggested that, while certain costs savings might accrue to the state, there would likely be increased costs to the local taxpayer." The Advisory Council report also cited the conclusions of Governor Racicot's 1994 "Task Force to Renew Montana Government," which concluded that consolidation generally would result in "no substantial cost savings and a transfer of costs from the state to local government."

The most exhaustive study of all the issues related to school consolidation in Montana is probably the 1993 "School Reorganization in Montana – Time for Decision?" report prepared by Project SEEDS, headed by former Governor Ted Schwinden. That report concluded:

> "The six examples of school district consolidations that were studied provide little evidence to support the contention that consolidation is an effective way to reduce school costs. However, educational professionals I contacted were in near unanimous agreement that consolidation can result in program improvement."

The Project SEEDS report rejected the notion that the state should mandate consolidation and emphasized the need to consider the impact on communities and be sensitive to local concerns when reorganizing schools. The report also questioned whether high schools of fewer than 35 students could provide students with a sufficiently diverse educational pro-

gram and suggested that the funding formula should reduce support for non-isolated high schools with fewer than 35 students. The report also recognized the programmatic benefits of the K-12 school district structure and supported the use of cost-effective learning technology and cooperative agreements, given the inevitability of the continued existence of small schools and school districts due the size, geography and rural nature of Montana.

Finally, it is worth mentioning the conclusions contained in a report entitled "An Evidence-Based Approach to School Finance Adequacy in Arkansas," prepared for the Arkansas Legislature by Lawrence O. Picus and Associates. Research cited in this study indicates that when both cost (input) and student performance (output) are considered, the economic benefits of larger schools are less evident and diminish beyond a certain size. There is research evidence that suggests that large-scale consolidation of rural schools nationally has not resulted in cost savings and may have reduced student performance, as well as harming rural communities. Where distance and geography are not an issue, research indicates that schools of 300-500 are optimal at the elementary level, while the best size for a high school unit is probably about 500.

Work of the School Renewal Commission Related to Consolidation

A working group of the School Renewal Commission was charged with looking primarily at the narrower issue of whether there are barriers to voluntary consolidation in current statute. In other words, when two or more districts chose to consider consolidation are there obstacles in the current process that make it more difficult for the consolidation to take place? The recommendations proposed by the working group and adopted by the Commission are below.

The School Renewal Commission recommends that the following areas of the law be clarified to eliminate barriers to voluntary consolidation.

- Provisions for consolidation of one K-12 district with another K-12 district should be included in statute wherever they are currently absent. Specifically, it should be made clear in statute that a K-12 district may consolidate with another K-12 district without first being required to dissolve its K-12 structure.

- The Commission believes that the K-12 structure is the most efficient school district structure and does not recommend allowing K-12 districts to be dissolved to consolidate with a stand alone elementary district.

- Statute should specify that a newly consolidated district becomes an official entity on July 1 following a successful vote on consolidation in each of the constituent districts.

- The governance of a consolidated district should be clarified in the following manner. Immediately following voter approval of a consolidation (elementary, high school or K-12) a joint board, composed of the members of the existing school boards of the participating districts should be formed to deal with transitional issues. The joint board would also serve as the governing board of the newly consolidated district from the July 1 effective date of the consolidation until the next regular school trustee election. At that election the appropriate number of

trustees for the new district would be elected by the combined voters of the new district, with the lengths of terms to be assigned by drawing of lots.

- The law should specify that the existing elected boards of the consolidating districts would continue their duties and perform close-out duties related to their individual districts until the July 1 effective date. The joint board would address all planning, budgeting, contracting and hiring issues related to the operation of the newly consolidated district.

- The law should specify that any ongoing building reserve or technology depreciation levies accrue to and become the responsibility of the newly formed district as a whole in the same dollar amounts that were originally approved.

- The law should allow joint districts (defined as those with territory in more than one county) to be formed by consolidation, annexation or the attachment of an abandoned district to a neighboring district. Currently, joint districts may be created by consolidation, but may not be formed by annexation or attachment.

- Tenure protection and hiring preferences for employees of districts that elect to combine through the process of unification should be the same as those for employees of districts that join by consolidation or annexation. Statute should be amended to reflect this.

The School Renewal Commission recommends no change in state statute in the following areas:

- Montana statute allows consolidations and annexations to occur with or without the assumption of bonded indebtedness by the newly formed district as a whole. School boards decide between the two options prior to putting a proposition to a vote and that decision is reflected in the ballot language. Both the working group and the Commission as a whole engaged in extensive discussion of the merits of creating a single policy for bonded indebtedness, as opposed to leaving both options in law. There was no consensus on changing the law to create a uniform process and it was decided that the availability of two options allows school districts to respond more effectively to local circumstances. The Commission recommends no change to state law with regards to bonded indebtedness.

- Bargaining of a new collective bargaining agreement should be left to management and labor in a newly combined district under applicable labor laws and under the guidance of the Board of Personnel Appeals. The Commission does not believe any legislation is necessary in this area.

- There is a potential need for both an annexation and a consolidation process in different situations. Therefore, the Commission recommends retaining both processes in state law.

- The Commission recommends that the requirement for an affirmative vote in both districts for consolidation be retained. Approval by voters in effected districts provides necessary legitimacy to the process.

- The Commission rejects the idea of instituting a trial period for consolidation during which "de-consolidation" could occur. Consolidations should be final. The technical issues involved with de-consolidating a district would be great. Current laws governing cooperative agreements between districts provide ample opportunities for districts to experiment with cooperation prior to deciding to consolidate. Districts can currently share administration, staff, programs, purchasing, etc., as well as the sponsorship of athletic programs.

Finally, the Commission believes that some structural features of the current funding system and the current taxation system create disincentives to consolidation when such consolidation might otherwise make sense. These structural features include:

- the fact that the basic entitlement is the same for districts of every size;
- the fact that the taxable valuations available to support schools vary widely from district to district.

The Commission recommends that tax inequities between school districts be addressed and that any new funding formula avoid building in disincentives to consolidation.

Resources/materials for the Barriers to Consolidation Working Group:

"An Evidence-Based Approach to School Finance Adequacy in Arkansas," prepared for the Arkansas Legislature by Lawrence O. Picus and Associates.

Data on number of school districts in Montana, OPI, 2004

"Elementary Districts Feeding High School Districts, FY 2000-01," Excel spreadsheet, OPI, May, 2004

"Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations," December 31, 2001 – Subcommittee on Consolidation: report Fall of 2001

"MCA Sections Specifically relating to school annexation, consolidation, or unification," excerpts from the Montana Codes Annotated, Legislative Council Division, 2003

MREA and MTSBS task force document on examination of consolidation barriers, 2003.

"School Reorganization in Montana – a time for decision?," report prepared for the Montana School Boards Association, former Governor Ted Schwinden, director, 1993

"Task Force to Renew Montana Government," authorized by Governor Marc Racicot 1994

V. Resources/Materials

Barriers to Consolidation:

Barriers to Consolidation and Options for Efficiency," MTSBA, 2003

Data on number of school districts in Montana, OPI, 2004

"Elementary Districts Feeding High School Districts, FY 2000-01," Excel spreadsheet, OPI, May, 2004

"An Evidence-Based Approach to School Finance Adequacy in Arkansas," prepared for the Arkansas Legislature by Lawrence O. Picus and Associates.

Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations, Montana Governor's (Martz) Office, December 31, 2001 Subcommittee on Consolidation: report Fall of 2001

"Montana Code Annotated (MCA) Sections Specifically relating to school annexation, consolidation, or unification," excerpts from the Montana Codes Annotated, Legislative Council Division, 2003

"Montana Rankings on Key Items Addressing the Costs of Geographic Sparsity," Lance Melton, MSBA, September 29, 2003, source Morgan Quitno Publication

MREA and MTSBS task force document on examination of consolidation barriers, 2003.

"School Reorganization in Montana – A time for decision?," report prepared for the Montana School Boards Association, former Governor Ted Schwinden, director, 1993

"Task Force to Renew Montana Government," authorized by Governor Marc Racicot, 1994

Court Decisions:

Columbia Falls School District v. State of Montana, Cause No. BDV-2002-528 (2004), Montana First Judicial District, Lewis and Clark County.

Helena School District v. State of Montana, 236 Mont. 44, 769 P2d 684 (1989).

Montana Board of Public Education v. Administrative Code Commissioner, Cause No. BDV-91-1072 (1992), Montana First Judicial District, Lewis and Clark County.

"Key aspects of Judge Sherlock's Decision Pertaining to the Requirements of a Constitutional Funding System," 2004

Cultural Studies:

Alaska Standards for Culturally Responsive Schools, Assembly of Alaska Native Educators, February 3, 1998

"Education Working for Montana's Low Income Students," Office of the Montana Commissioner of Higher Education, 2002

"Equal Educational Opportunity for Native American Students in Montana Schools, Montana Advisory Committee to the U.S. Commission on Civil Rights, July 2001

"Pathways to College Network: Summary Report of K-16 Policy Roundtable in Montana," October 2002

"Title 20,Chapter 1,Part 5 – American Indian Studies," *Montana Codes Annotated (MCA),* legislation enacted in 1999 Session, HB 528, Indian Education for All Act

Federal/State Roles in Education:

"Federal Requirements of IDEA and NCLB," Montana Office of Public Instruction, November 2003

"Meeting the Highly Qualified Teachers Challenge of No Child Left Behind," U.S. Department of Education, Postsecondary Division, 2002

"The role of state and federal government in public education," Cathy Warhank, Norma Bixby, September 29, 2003

Governance and Legislation:

"Article VI – The Executive and Article X – Education and Public Lands," *1972 Montana Constitution*, as amended 2003

"Constitutional Provisions and Statutory Duties related to Education Governance Discussion on September 8, 2003," Madalyn Quinlan, Office of Public Instruction, September 4, 2003.

"Court Documents and Constitutional Convention Notes," Montana School Boards Association, 2003

"Education and Local Government Interim Committee: Report to 57th Legislature," Services Legislative Services Division, 2002

"Education and Local Government Interim Committee: Report to 58th Legislature," Services Legislative Services Division, 2002

"Education Governance in Montana," two-page chart of officials and boards, September 8, 2003

House Bill No. 736, introduced by Rep.Roy Brown, Rep. David Wanzenried, Sen. Jon Tester, and Sen. Fred Thomas, and passed by the 58th legislature, establishing a K-12 Public School Renewal Commission.

K-12 Education, 2001Legislative Session Summary of Legislation Related to K-12 Education, printed by the Office of Public Instruction, with contributions from the Montana Association of Business Officials, Montana Rural Education Association, Montana School Boards Association, School Administrators of Montana, and MEA, June 2001

K-12 Education, 2003 Legislative Session Summary of Legislation Related to K-12 Education, printed by the Office of Public Instruction, with contributions from the Montana Association of Business Officials, Montana Rural Education Association, Montana School Boards Association, School Administrators of Montana, and MEA-MFT, June 2003.

Montana School Accreditation, Standards and Procedures Manual, Board of Public Education and the Office of Public Instruction, June 2001

"Montana School Renewal Commission Presentation on Governance," Lance Melton, Montana School Boards Association, September 8, 2003

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