

## Key Items on K-12 School Funding for Legislators Presented by MTSBA, February 7, 2011

### 1. There are constitutional-based roles and responsibilities:

#### a. Article X Provisions of Note:

- **Section 1.** Educational goals and duties. (1) It is the goal of the people to establish a system of education which will develop *the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.*  
(2) The state recognizes the *distinct and unique cultural heritage of the American Indians* and is committed in its educational goals to the preservation of their cultural integrity.  
(3) The legislature shall provide *a basic system of free quality public elementary and secondary schools.* The legislature may provide such other educational institutions, public libraries, and educational programs as it deems desirable. It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.
- **Section 3.** Public school fund inviolate. The public school fund shall forever remain inviolate, guaranteed by the state against loss or diversion.
- **Section 6.** Aid prohibited to sectarian schools. (1) The legislature, counties, cities, towns, school districts, and public corporations *shall not make any direct or indirect appropriation or payment from any public fund or monies, or any grant of lands or other property for any sectarian purpose or to aid any church, school, academy, seminary, college, university, or other literary or scientific institution, controlled in whole or in part by any church, sect, or denomination.*  
(2) This section shall not apply to funds from federal sources provided to the state for the express purpose of distribution to non-public education.
- **Section 8.** School district trustees. The *supervision and control* of schools in each school district shall be vested in a board of trustees to be elected as provided by law.
- **Section 9(3)(a).** There is a board of public education to exercise *general supervision* over the public school system and such other public educational institutions as may be assigned by law. Other duties of the board shall be provided by law.
- Other roles set forth in statute for Superintendent of Public Instruction (general supervision under 20-3-106, MCA) and County Superintendent (general supervision of schools within the county under 20-3-205).

**2. There is a history of court action that affects both equity and adequacy of funding:**

- a. Helena Elementary v. State from late 1980's enforced the requirement of equity and defined it in terms of per pupil funding disparities.
  - i. HB 667 from the 1993 Legislative Session was the beginning point for our current funding system. Approximately 93% of the state funding formula still comes through the Basic and Per-ANB Entitlements today.
- b. Columbia Falls Elementary v. State from the mid-2000's enforced requirement of funding sufficient to provide for the basic system of free quality schools under Article X, Section 1.
  - i. The latest ruling from the Courts was in the fall of 2008 when Judge Sherlock found the system to be equitably and adequately funded at that time. Judge Sherlock left the door open to further court involvement under findings 119-121, where he identified concerns that he said could lead him to change him to reconsider his decision in the future. Those concerns included:
    - 1. Lack of a solution for special education;
    - 2. Potential for declining state share of school district budgets (note the Judge called FY09 a "slight relapse" in this regard);
      - a. State share in FY11 was down to 56.7% with one time only ARRA funding coming into the mix.
    - 3. Salary levels for rural educators, which the Judge said could improve recruitment and retention.

### 3. The Legislature has defined and committed to funding for the Basic System of Free Quality Schools in 20-9-309, MCA.

**20-9-309. Basic system of free quality public elementary and secondary schools defined -- identifying educationally relevant factors -- establishment of funding formula and budgetary structure -- legislative review.** (1) Pursuant to Article X, section 1, of the Montana constitution, the legislature is required to provide a basic system of free quality public elementary and secondary schools throughout the state of Montana that will guarantee equality of educational opportunity to all.

(2) As used in this section, a "*basic system of free quality public elementary and secondary schools*" means:

(a) the educational program specified by the *accreditation standards* provided for in 20-7-111, which represent the minimum standards upon which a basic system of free quality public elementary and secondary schools is built;

(b) education . . . to provide for students with special needs, such as:

(i) IDEA: a child with a disability, as defined in 20-7-401;

(ii) an at-risk student;

(iii) a student with limited English proficiency;

(iv) Disabled under Section 504 of the Rehabilitation Act of 1973

(v) gifted and talented children . . . .

(c) American Indian Education for All (*paraphrased*)

(d) qualified and effective staff (*implies recruitment and retention*)

(e) facilities and distance learning technologies . . .

(f) transportation of students . . . .

(g) a procedure to assess and track student achievement . . . . .

(h) preservation of local control . . . . pursuant to Article X, section 8

(3) Legislature is to consider educationally relevant factors in developing a formula:

(a) the number of students . . . . ;

(b) the needs of isolated schools with low population density;

(c) the needs of urban schools with high population density;

(d) the needs of students with special needs

(e) the needs of American Indian students; and

(f) the ability of school districts to attract and retain qualified educators

(4) By July 1, 2007, the legislature imposed on itself the obligation to (a) determine costs and (b) establish a formula:

(i) based on the definition of a basic system of free quality schools . . . .

(ii) provides for adjustments based on educationally relevant factors . . .

(iii) is self-executing and includes a mechanism for annual inflationary adjustments;

(iv) is based on state laws;

(v) is based on federal education laws consistent with Montana's constitution and laws;

(vi) distributes to school districts in an equitable manner the state's share of the costs

(c) consolidate the budgetary fund structure to balance flexibility and accountability

(5) At least every 10 years following April 7, 2005, the legislature is to conduct a further study and make refinements to the funding formula.

**4. Funding is complicated and involves a mix of local, state and federal revenues, each with their separate rules and regulations.**

**a. Federal Characteristics:**

- i. Represents approximately *12% of all K-12 funding.*
- ii. Is largely earmarked for specific purposes, directed primarily toward impoverished, at risk and special needs.
- iii. Exception is Impact Aid, which is not restricted in terms of spending purposes.
- iv. Possible changes on the horizon include funding freezes and conversion from a formula distribution to competitive grants that is anticipated to disadvantage Montana compared to larger states with greater resources and grant writing capabilities.

**b. State Characteristics:**

- i. Represents approximately *42% of all K-12 funding.*
- ii. Represents approximately 57% of school district general fund budgets (FY11 level, usually higher without OTO Federal Funds and was 64% in FY2008).
- iii. Is largely unrestricted though there are is a trend toward greater restrictions in funding provided in the last 6 years.
  1. grant programs
  2. One time only and state-level restrictions for particular purposes

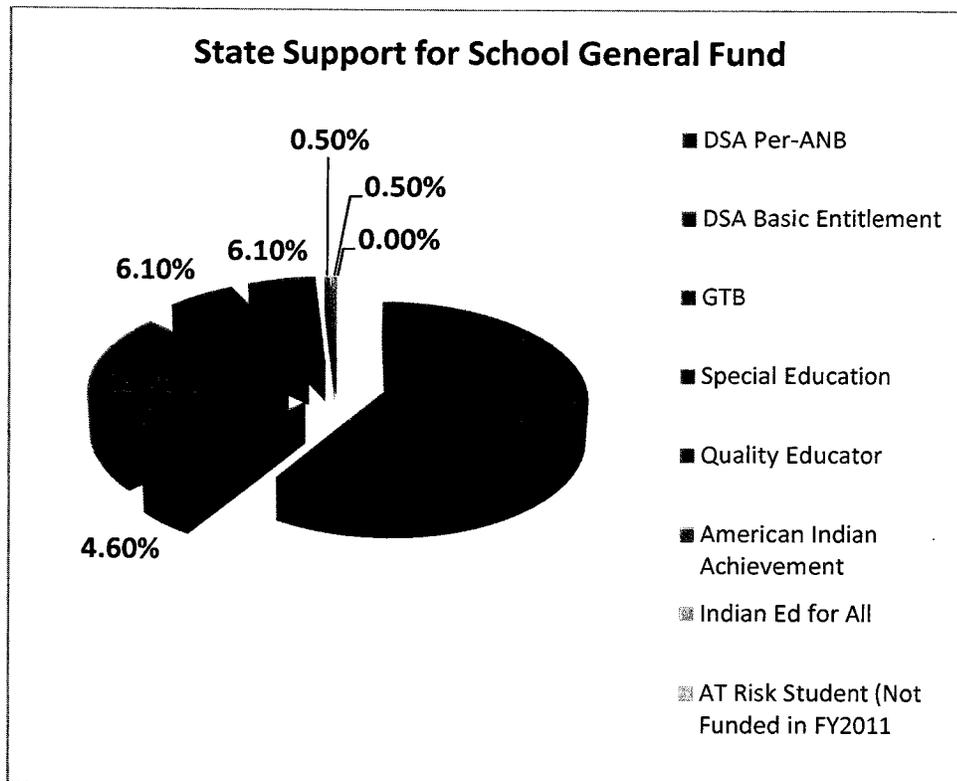
**c. Local Characteristics:**

- i. Represents approximately *46% of all K-12 funding.*
- ii. Large majority is from property taxes, some voted and others nonvoted.
- iii. Includes both local district and county revenue sources.
  1. Includes some non-levy revenues: (HB 124 Block Grants; Oil and Gas Revenues; Gross Coal Proceeds; Payment in Lieu of Taxes (PILT); Metal Mines License Taxes; Tuition; Etc.

## 5. The State Funding Formula:

Consists of the following elements:

- a. Basic (per district) and Per ANB (per student) Entitlement – Per student amount is based on larger of actual or three year historical average. (92.88% of state funding for general fund budgets)
- b. Per Quality Educator Entitlement (6.1% of state funding for general fund budgets)
- c. At Risk Funding (currently unfunded)
- d. American Indian Education for All Payment (0.49% of state funding for general fund budgets)
- e. American Indian Achievement Gap Payment (0.54% of state funding for general fund budgets)



**School District General Fund - FY 2011**

**Total FY11 General Fund Budget \$966.9 M**

**Max Bud = Basic entitlement + per ANB entitlement + 4 new components + \$200% of Special Ed Allowable Costs**

**Overbase Area = Maximum Budget Less Base Budget**

**OverBase Budget \$165.7 M**

**FY11 Maximum Budget \$999.3 M**

**OverBase Property Taxes \$158.3 M,  
Nantley Revenue \$4.0 M and Tuition \$1.2 M and FBR \$10.9 M**

**FY11 Base Budget \$801.2 M**

**GTB Area = 35.3 Percent of Basic and Per-ANB Entitlements plus 40 Percent of Special Education Allowable Costs. State Guarantee Ratio = 193 percent of Taxable Value per dollar GTB Area**

**GTB \$144.7 M**

**Components of Maximum Budget**

**Elementary Basic Entitlement = \$23,257**

**Base Property Tax \$124.0 M**

**Middle School Basic = \$65,863**

**Fund Balance Reappropriated \$8.8 M**

**High school Basic = \$258,487**

**Base Nantley Revenue \$50.8 M**

**Elementary Per ANB = \$5,003 less \$.20/ANB up to the 1000th ANB**

**Direct State Aid = 44.7 percent of Basic and per ANB entitlements**

**Direct State Aid \$325.9 M**

**High School Per-ANB = \$6,405 less \$.50/ANB up to the 800th ANB**

**DSA - Federal EA Jobs - \$30.7 M**

**State Share 56.7 Percent**

**Special Education**

**Instructional Block Grant - \$150.60/ANB;**

**Related Services BG - \$50.20/ANB**

**Four New Components - State Funded**

**Indian EA For All Payment - \$3.0 M**

**IEFA Payment = \$20.40/ANB, Minimum = \$100 per District**

**American Indian Achievement Gap - \$3.3 M**

**AIA Gap Payment = \$200 per Indian Child**

**At Risk Payment - \$0 M**

**At Risk Payment distributed same as Title I Funds**

**Quality Educator Payment - \$37.8 M**

**QE Payment = \$3,042/Educator**