

Exhibit No. 2Date 2/11/15Bill No. SB 252

**Core Metrics for Consideration for Energy Impact Schools**  
**Prepared by Daniel T. Farr, Ed.D., Superintendent Sidney Schools**

**Introduction:**

SB 175 was a significant step forward in addressing school funding and educational quality across the state. Over the two year phase in period it was important to evaluate the entirety of the bill and its effect on the quality of education provided Montana's students. Educational need across the *Treasure State* is often difficult if not impossible to quantify as each school has its own story and special set of circumstances. Components of SB 175 could not fully account for the ongoing educational impacts for schools on or near the Bakken as they simply do not "sunset" or for the volatility within the energy sector currently being experienced. The present reality is one in which many energy sector schools will face a double-whammy in terms of adopted language within SB175 (MCA 20-9-310) when developing 2015-2016 budgets and due to continuing impacts associated with oil and gas production and global oil prices. Energy sector schools will continue to see impacts related to increasing enrollments, student mobility, inflated housing, recruitment and retention of staff (salaries, licensure, and cost of living), school infrastructure and other educational support areas. Unlike the mid-1980s, energy development in the region is not a "Bust", it is simply a slowdown associated with 50 percent downturn in oil prices as the world market readjusts.

Current forecasts in the energy markets point to ongoing energy development at a slower pace and not a "bust" or "sun setting" of school/community impacts on July 1, 2016. Consequently, three elements of SB 175 need to be amended to accommodate ongoing impacts for schools and to account for volatility within the oil and gas market. One, amend concentric language providing for greater distribution; two, adjust the 130 percent to 150 percent for small schools; and three, remove the 25 percent allocation to the general fund providing Trustees complete flexibility in making fiscal decisions in the best interest of their schools and communities.

Energy sector developments will continue at a slower pace and will be the impetus for ongoing commercial and residential land development, positive demographic/population shifts, increases in regional economies and a host of related impacts that will effect school communities. As example, in a recently completed long-range facility and demographic study (CTA Architects & Engineers, December 2014) for Sidney Schools, K-12 enrollment projections indicate student enrollment increases through 2026-27, representing annual K-12 enrollment increase ranging from 3.9 percent to 6.2 percent. Sidney's demographic future can be applied to energy sector schools and schools on key transportation corridors (i.e., Glendive, Miles City, Glasgow) who will continue to experience energy development impacts tied to regional oil and gas development.

With the scheduled sunset of the concentric circle provision in SB 175 there will be no associated sunset of the impacts for schools. What then are common impacts? The remainder of this handout serves to identify common impacts for energy schools or metrics that can be used to gauge and address school needs going forward. Failure to recognize and address actual impacts facing schools leaves decision-making to be based on state or national measures/averages; subsequently, decisions made will not align with or address needs of impact districts. The real consequence is that impact schools will not be in a position to deliver a "high quality education" or possibly, even a "basic system of education" for students. The following information was obtained from impact schools for the purpose of working with legislators to amend SB175 concentric circle language.

There are many different metric measures that can be considered in the development of funding model based on metrics for schools. Metrics serve to inform, draw comparisons, identify needs, design alternatives, negotiate agreements, or even change perspective viewpoints. Thirty-two schools in the NE & SE MASS regions were asked to provide information concerning impacts to their schools if any. Seventeen (17) schools provided information toward the following metrics and specific school impact examples are provided as appropriate to provide validity to school concerns and to show that school needs are not always apples to apples; rather, often unique to each school.

1. **Demographic Metrics:** descriptive data that captures student composition and enrollment increases. Example metrics include increases/decreases in enrollment K12, ELL population, homeless, special education, and economic need.
  - 13 of 17 schools reported having enrollment issues
    - Bainville--550 % increase in junior high enrollment since 05-06
    - Savage—300 percent increase in kindergarten enrollment/20% increase in K12
    - Lambert—22% increase in 2014-2015 K8 enrollment/60% increase since 2010-K12
    - Baker—28% increase grades 9-12 in past years
  - 12 of 17 schools reported increases in special education population
    - Sidney—23.85% increase from 2012-13
    - Bainville—400% increase in 8 years (6 to 24 Students—800% increase in staffing)
    - Culbertson—18% increase from 2012-2013
  - 12 of 17 schools reported an increase in homeless population
  - Approximately 50% of reporting schools reported increases related to Title I services and economic need
  
2. **School Environment Metrics**—day-to-day elements of the school environment: Examples of school environment data include student stability/mobility (% of students moving in and out of school during the year) and attendance/truancy issues.
  - 13 of 17 schools reported student mobility issues
    - Westby—23%, Froid—39%, Culbertson—over 35% for 2014-2015, Bainville—31% for 2014-2015
    - Fairview—100 new students 1<sup>st</sup> day of school and 31 requests for record transfer
    - Sidney—not including students enrolled/withdrawn before the 1<sup>st</sup> day of class over the past 4 years, 598 enrollments/515 withdrawals (combined total 1,113 students), 181 students total this school year following the first day of school through 12/31
  - 9 and 8 of 17 schools reported increases in attendance and disciplinary issues respectively
    - Culbertson—16.4 % increase in attendance in 2013-2014
  
3. **Student Achievement Metrics**—examples include need for course/credit remediation or students not at grade level.
  - 15 of 17 schools reported increases in academic issues
    - 10 of 17 schools reporting increases in number of students not at grade level
    - 8 of 17 schools reporting increases in need for credit remediation
  
4. **Human Resources and Instructional Metrics**—examples include new personnel, certified/classified, needed to meet accreditation standards, educational needs of students (i.e., individual special education aides), number of teachers on emergency authorizations, internships, or class 5 alternative endorsement.
  - 12 of 17 schools reported needing to hire additional certified staff
  - 13 of 17 schools reported needing to hire additional classified staff
  - 7 of 17 schools reported increases in alternative certifications (i.e., Sidney-5, Bainville-3, Culbertson-2, Frontier-2)
  - 14 of 17 schools reported recruitment issues—most tied to housing costs, lack of housing, and cost of living
  - 15 of 17 schools reported transportation issues ranging from route driver shortages to activity driver shortages
  
5. **Facilities and Resources Metrics**—represents an increase in facility needs, program space, and other facility resources necessary to meet education needs—building capacity needs, school transportation—expanding routes, auxiliary facility shortages, high building costs and associated funding mechanisms (limited bonding capacity)
  - 7 of 17 schools reported needing additional classroom space
    - Bainville—3-5 new classrooms, administrative space, auxiliary space
    - Sidney—West Side Elementary expansion/remodel (8 new classrooms, Music/Art room, Food Service) with an estimated cost of \$8, 523,052. This is figured at \$190 per square foot. This cost may be low based on costs associated with Watford City and Williston's new school construction costs. According to JLG architects, the lead firm put construction costs at \$300 plus per square foot

6. **Economic Resource Metrics**—consideration of local/regional economics that are reflected in increasing taxable valuations, commercial/residential land development, affordable housing, building costs, day-to-day living expenses, school materials—text books, classroom furniture, technology, and related instructional resource expenses.

- 8 of 17 schools reported increases in property value—land and home values
- 12 of 17 reported increase in rental costs and is rationale for why many schools have had to build/lease staff housing—not a choice for schools
  - 1 bedroom—\$700 to \$1200
  - 2 bedroom—\$800 to \$2500
  - 3 bedroom--\$1500 to \$3500
- 5 of 17 schools reported that Bonding Capacity is a concern with continued enrollment and expansion needs (Bainville, Culbertson, Froid, Sidney, and Lambert) even with increasing property valuations.

Per month costs as reported by Bainville, Baker, Culbertson, Froid, Frontier, Lambert, Miles City, Plevna, Savage, Sidney,

### Summary:

Schools are unique and each will have its own story and impact metrics that stem from energy development in Eastern Montana and other parts of our state. The aforementioned metrics provide an overview of impacts currently faced by schools in the delivery of a quality education. Concentric circle language contained in SB175 was aimed at helping schools mitigate impacts to their districts but after two years, oil and gas revenue has not reached many schools in need of assistance. Removal of the “sunset” provision and amending of the allocation process through a 50/50 split of the overflow above the current proposed 150% would address what is going to be continuing need for schools. As noted in the January 14, 2015, addition of the Flathead Beacon, “natural resource tax will increase to \$180 million in the fiscal year 2017 forecast” according to the Governor’s Office of Budget and Program Planning (OBPP). This projected increase strongly correlates to continued development in the energy sectors and not a “Bust” in impact regions as some would believe and definitely not a sunseting of school or community impacts.

Refinement, expansion, and use of a metrics model can provide schools with impacts a process for obtaining additional and needed funding with amendments to SB175. The amendment proposed, a 50/50 split of overflow funds above the 150 percent, is a beginning point for addressing the needs of impact schools using metrics that account for identified needs of impacted school communities. Several metrics may be common to all schools (i.e., enrollment increases, increases in special education) and can be used as a basis for any funding model developed. Additionally, any funding model developed and based on metrics should include some flexibility as each school is unique and may experience an impact specific to a situation and not common to all schools. SB175 was a significant step forward in school funding and language specific to oil and gas schools and must be evaluated and amended in view of continuing impacts and due to the volatility (low oil prices) in the U.S. oil industry.

---

### Key Points:

1. Amend SB 175 to reflect a 50/50 split of concentric circle money above the current 150% (see 2 below).
  - Develop a Metrics Funding Model to assist all school of impact based on a common set of metrics reflective of energy development impacts.
  - Develop a Metrics Funding Model that acknowledges the uniqueness of each school with the realization that all schools will not have the same impacts.
2. Increase the 130% to 150% in SB 175.
3. Remove the 25 % budget allocation requirement of oil and gas revenue from the General Fund.