



State-Tribal Relations Committee

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65th Montana Legislature

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TO: State-Tribal Relations Committee
FROM: Pad McCracken, LSD Research Analyst
RE: Follow up on English Learners
DATE: June 18, 2018

At its May meeting the State-Tribal Relations Committee requested bill drafts to provide state matching funds to support school district programs for English Learners (ELs). The committee also requested information about using existing revenue from natural resource taxes to pay for this state match. This memo explains two bill draft options and discusses the use of natural resource taxes.

Bill drafts

The proposed bill drafts would create a 1:1 state match of the federal Title III subgrants that OPI currently allocates to school districts to support programs serving ELs. Districts that apply for the subgrants are required to submit information about their number of identified ELs and the programs undertaken to help them accelerate their English proficiency. Any state dollars would piggyback on this existing accountability.

OPI typically receives about \$0.5 million in Title III subgrant funds, so each of these bill drafts, set at a 1:1 match, would have a state cost of about \$0.5 million. Increasing the match ratio to 2:1 would double the state cost to about \$1 million.

In a [previous memo](#), I explained that a match program could be established as part of Montana's existing school funding formula (more reliable as it does not require standalone appropriation every biennium) or outside it (perhaps less reliable as it would require a biennial appropriation). The two bill drafts reflect these options.

LC ELGF (English Learner General Fund) creates a new 100% state-funded component in the formula for school district general funds that is equal to one dollar for every federal Title III subgrant dollar received by the district in the prior year (almost all state school funding payments are based on prior year numbers due to timing). It would be similar to existing components such as the at-risk payment, the data-for-achievement payment, the American Indian achievement gap payment, the quality educator payment, and the Indian education for all payment.

Because this new component is included in the formula, there are a number of other sections of statute that require amendment. New section 1 creates the component; sections 2-7 simply amend other sections to include the new component. This draft does not include an appropriation; as a component of BASE aid, this new component would drive an increase in the BASE aid appropriation in House Bill No. 2 and its fiscal note would show a roughly \$0.5 million state general fund impact.

New section 1 would be codified in Title 20, chapter 9, part 3, with the rest of the funding formula (section 8).

LC ELMS (English Learner Miscellaneous Fund) creates a new state funding program providing districts with a 1:1 match of any federal Title III subgrant the district receives. The money received by districts would be deposited in the district's miscellaneous programs fund, similar to the way we provide funding for programs serving gifted and talented students currently, except that the gifted and talented grant program is competitive and requires districts to apply, whereas this program would automatically provide funding to a district that receives a federal Title III subgrant. As a grant program outside the funding formula, this draft does not require the amendment of as many sections as LC ELGF, but it does require an appropriation section.

New section 1 would be codified as a special program in Title 20, chapter 7, where the gifted and talented grant program is described.

Natural resource taxes as a revenue source for funding ELs

Using existing natural resource taxes to generate the roughly \$0.5 million to fund the state match is relatively straightforward. However, portions of this money are allocated to a variety of special purposes with any remainder going to the state general fund. The [coal severance tax](#) is one example. Similarly, [oil and natural gas production taxes](#) are split between local governments, the Board of Oil and Gas Conservation, various state special revenue accounts, and the state general fund (see final page of linked document). Some possibilities the committee may want to discuss include:

- reducing allocations to one or more of the current recipients of natural resource tax proceeds;
- triggering funding for EL programs based on increased production of a specific natural resource. For example, if oil and natural gas production taxes exceed the amount estimated to the state general fund in HJ 2, up to \$0.5 million could be transferred to OPI for distribution to school districts for EL programs.
- redirecting the portion of the coal severance tax currently going to the new school facilities "subtrust fund" to EL programs after that fund hits its statutory cap of \$200 million. This would require creating a new subtrust fund that could generate interest to fund EL programs. However, it will likely be a decade or more before the school facilities fund hits that cap.