



Education Interim Committee

66th Montana Legislature

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TO: Education Interim Committee
FROM: Pad McCracken, Committee Staff, and Paul Taylor, OPI School Finance
RE: School Funding Issues for Possible Clean-up Legislation
DATE: March 6, 2020

At your January 2020 meeting, you expressed a willingness to consider some possibilities for legislation to address technical issues and clarifications related to school funding. This memo will list and briefly describe these possibilities in something of a priority order. At your direction, staff will work with school finance experts to prepare a bill draft(s) addressing any/all of these issues for your consideration at your June meeting.

1. Educational costs of kids in psychiatric residential treatment facilities. [20-7-403\(13\)](#) requires the SPI to contract with in-state psychiatric facilities for the educational costs of Montana kids in these facilities, but has an exception for kids on Medicaid. This has caused confusion as Medicaid does not pay for educational costs. This exception could be stricken and the provision could point to [20-7-435](#), the section of law that more fully describes this funding mechanism.
2. In [20-7-305](#), the SPI is directed to allocate unspecified money from the secondary vo-tech appropriation for both distribution to schools and to career and technical student organizations (CTSOs; ex. FFA, DECA, etc.) pursuant to [20-7-320](#). The SPI has allocated \$500,000 of the appropriation to CTSOs since 2014, but it might be clearer if the appropriation was split in two, one line for secondary vo-tech (aka CTE) and one for the CTSOs. This would require both statutory change and a change to HB 2.
3. The definition of "pupil" at [20-1-101\(16\)](#) could be further clarified so that a student over the age of 19 who is enrolled by special permission of the trustees clearly meets the definition of pupil. These students would still not be eligible for inclusion in ANB calculations.

4. The procedures for anticipated unusual enrollment increases in [20-9-314](#) could be clarified. ANB increases impact components other than the basic and per-ANB entitlements, so referring to BASE aid in the opening provision would be more accurate. Also, when an increase doesn't materialize, the "claw back" provisions should not reduce a district's entitlements below its original budget limits.
5. In [20-9-310](#), districts receiving oil and gas are allowed to retain 130% of their maximum general fund budget. Occasionally we have a small district that receives oil and gas revenue that goes into nonoperating status temporarily. Non-ops don't have a max budget, so all their oil and gas revenue has been reverting to the state. Clarifying that a nonoperating district can retain 130% of its most recent operating year max budget would address this circumstance.
6. [20-9-323](#) establishes ending fund balance limits. This statute is scheduled to come into play for the first time at the end of FY 21 and its effective date has been delayed previously. Its implementation and necessity overall could be examined, and it could either be clarified or repealed or delayed further.
7. Three- and four-year-olds receiving special education services. State and federal law require districts to provide special education to eligible children beginning at age 3. The question has arisen as to whether statute clearly allows these children to be included in enrollment counts that trigger ANB funding. If they are not included in ANB funding they generate no state or local funding through our formula. Several sections of law could be amended to clarify this.
8. There is a state special revenue school flexibility account created in [20-9-542](#) that has only had funding once, in the early 2000s. The statute states that the account is supposed to receive "money saved by the state if the actual statewide ANB in a given fiscal year is less than the statewide ANB projected by the legislature during the preceding legislative session." This provision is unclear and problematic. The language could be removed or the state account and its complicated and once-used distribution formula with definitions at [20-9-541](#) could be eliminated entirely. This would not meaningfully impact the school district flexibility fund.
9. Major maintenance aid and lead remediation. The ability of a district to prioritize revenue from the major maintenance aid levy and state major maintenance aid to remediate newly discovered lead remediation needs could be clarified. Relevant statutes are [20-9-236](#) and [20-9-525](#).