

School Funding Adequacy

Adequate School Funding And
How Montana Can Meet Goal

Presented By

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What is the Purpose of K-12 Public Education in Montana?

First and foremost, the purpose of K-12 Public Education is as set forth in the Montana Constitution:

“It is the goal of the people to establish a system of education which will develop the full educational potential of each person.”

Article X, Section 1, Montana Constitution

So, How are we doing as a State in meeting this goal?
What are our Challenges?

Basic System of Free Quality Schools

“The legislature shall provide a basic system of free quality public elementary and secondary schools.”

Article X, Section 3.

20-9-309, MCA: Legislature defines the above as:

Accreditation Standards + programs for children with special needs (e.g. special education, at risk, limited English proficient, gifted and talented) + American Indian Education + adequate facilities and technology + transportation + assessment of student achievement + local control

Discussion Thread 1: The Impact of Funding on Student Achievement

A Fork in the Road

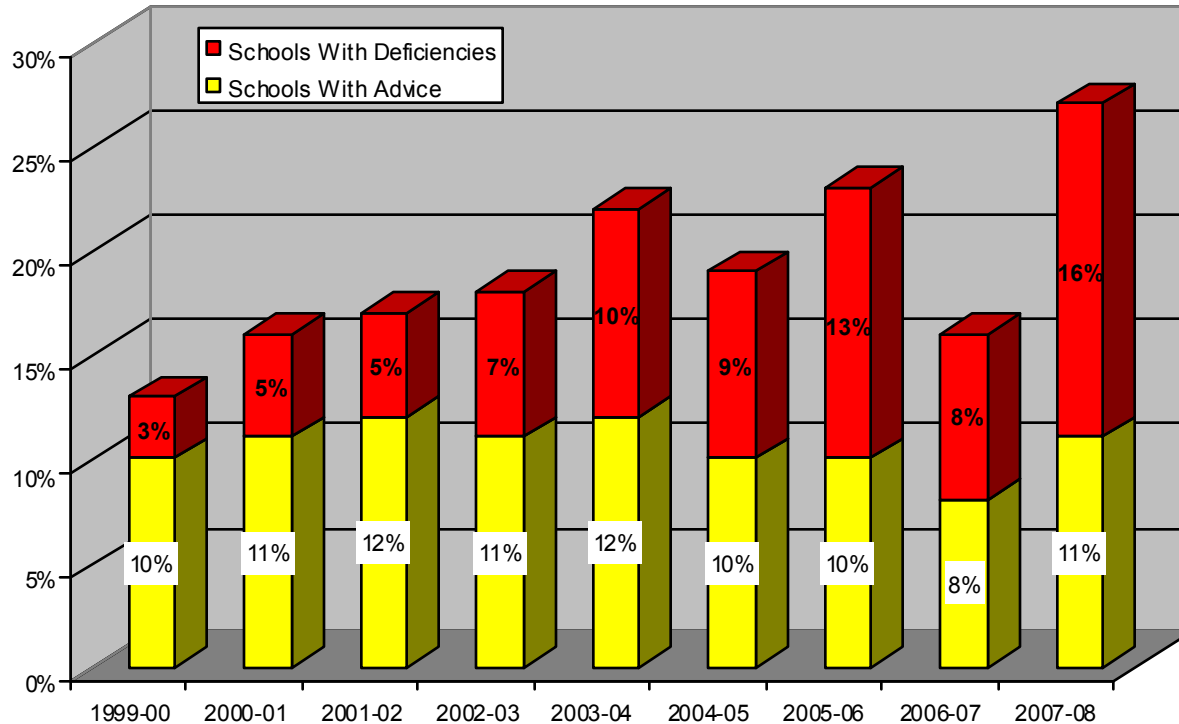


Success (College, Tech
Training, Workforce
Entry)

Failure (Public
Assistance, Incarceration)

Violation of Accreditation Standards

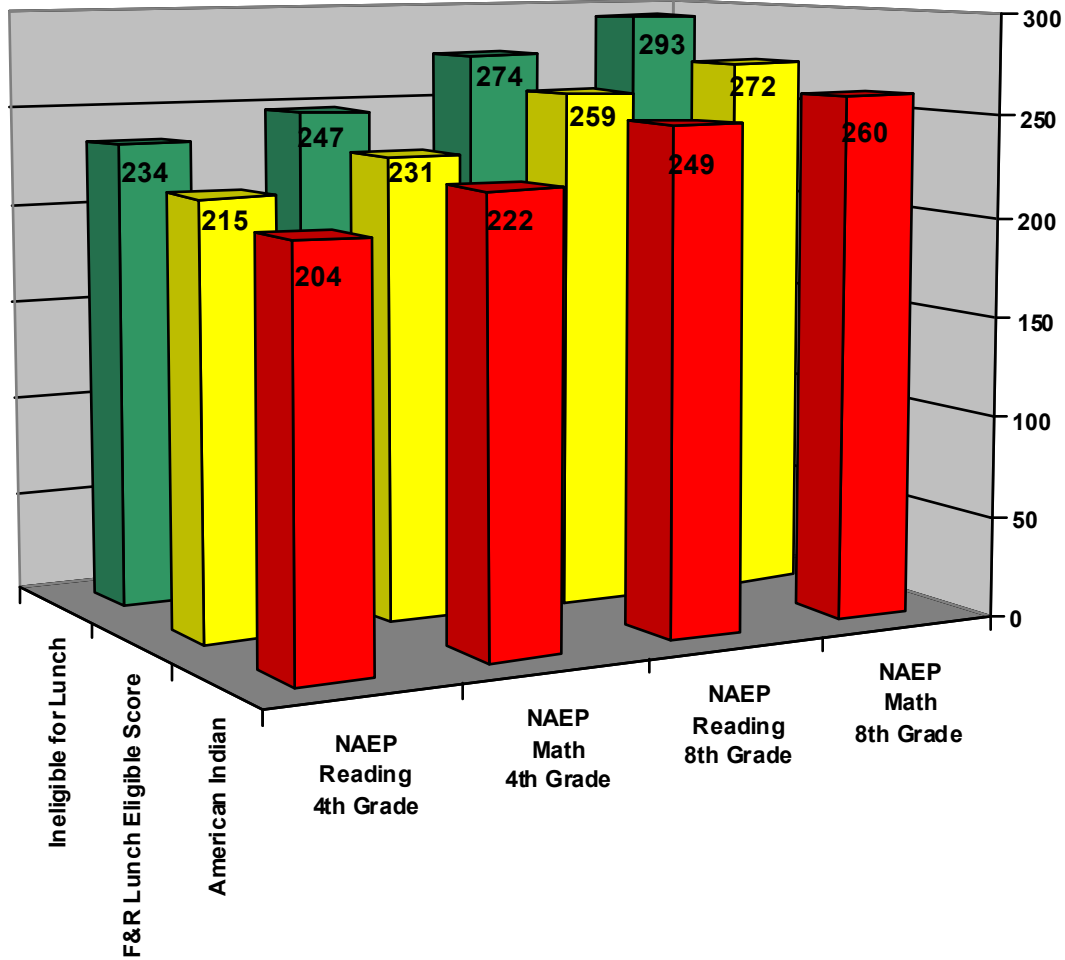
Note: 20-9-309, MCA specifies that the accreditation standards are “the minimum standards upon which a basic system of free quality public elementary and secondary schools is built.”



Notes:

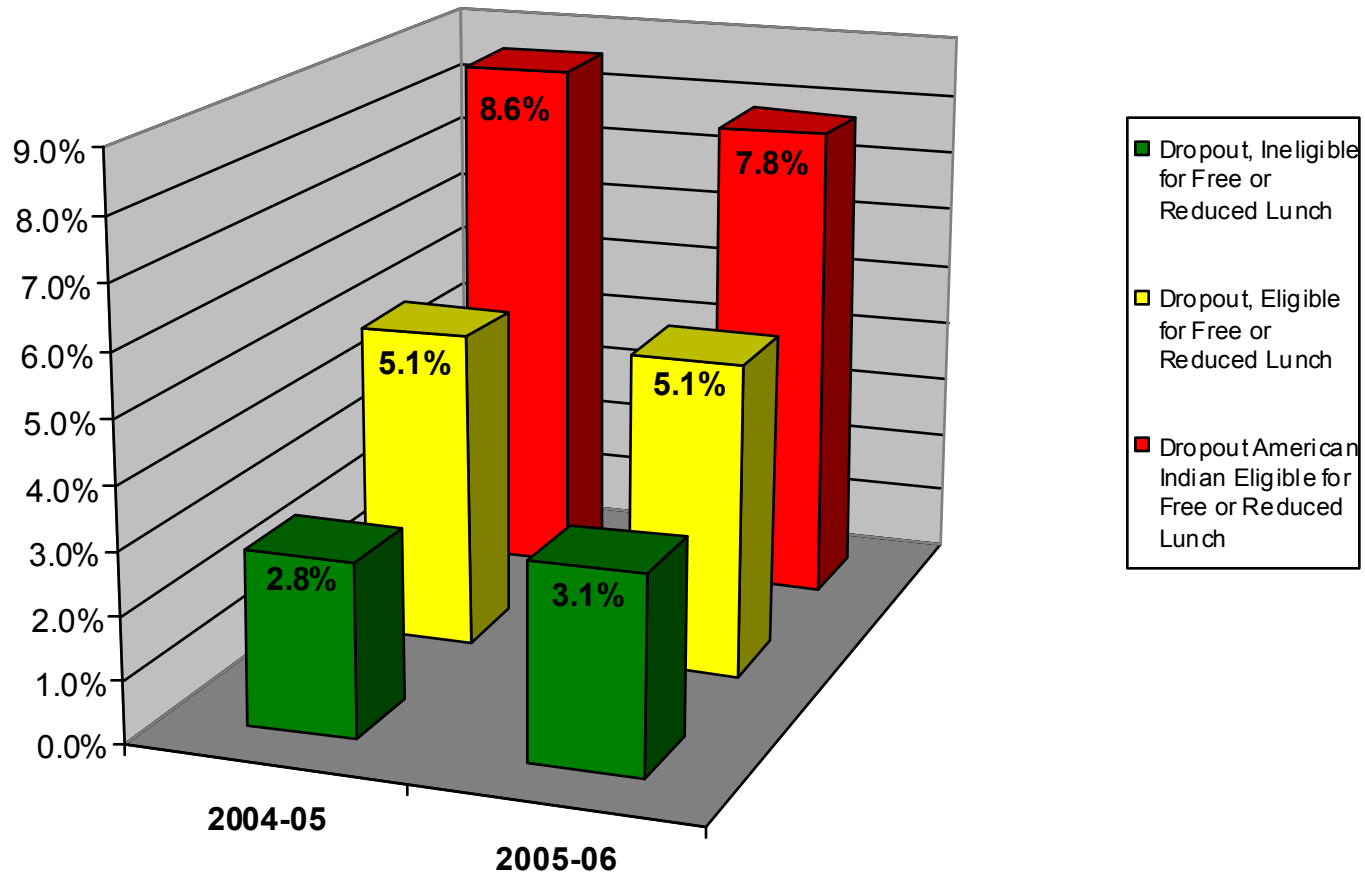
- 2002-03 is the year considered by the courts as proof of the inadequacy of funding at that time.
- 2007-08 violations are at the **highest levels ever**. Additionally, there are **another 18% of schools with violations** that are characterized as “minor deviations” but which include violations of class size and teacher endorsement standards. Only 54% of schools are accredited without any violations.

Achievement Gaps, 4th Grade and Up 2007 NAEP Scores

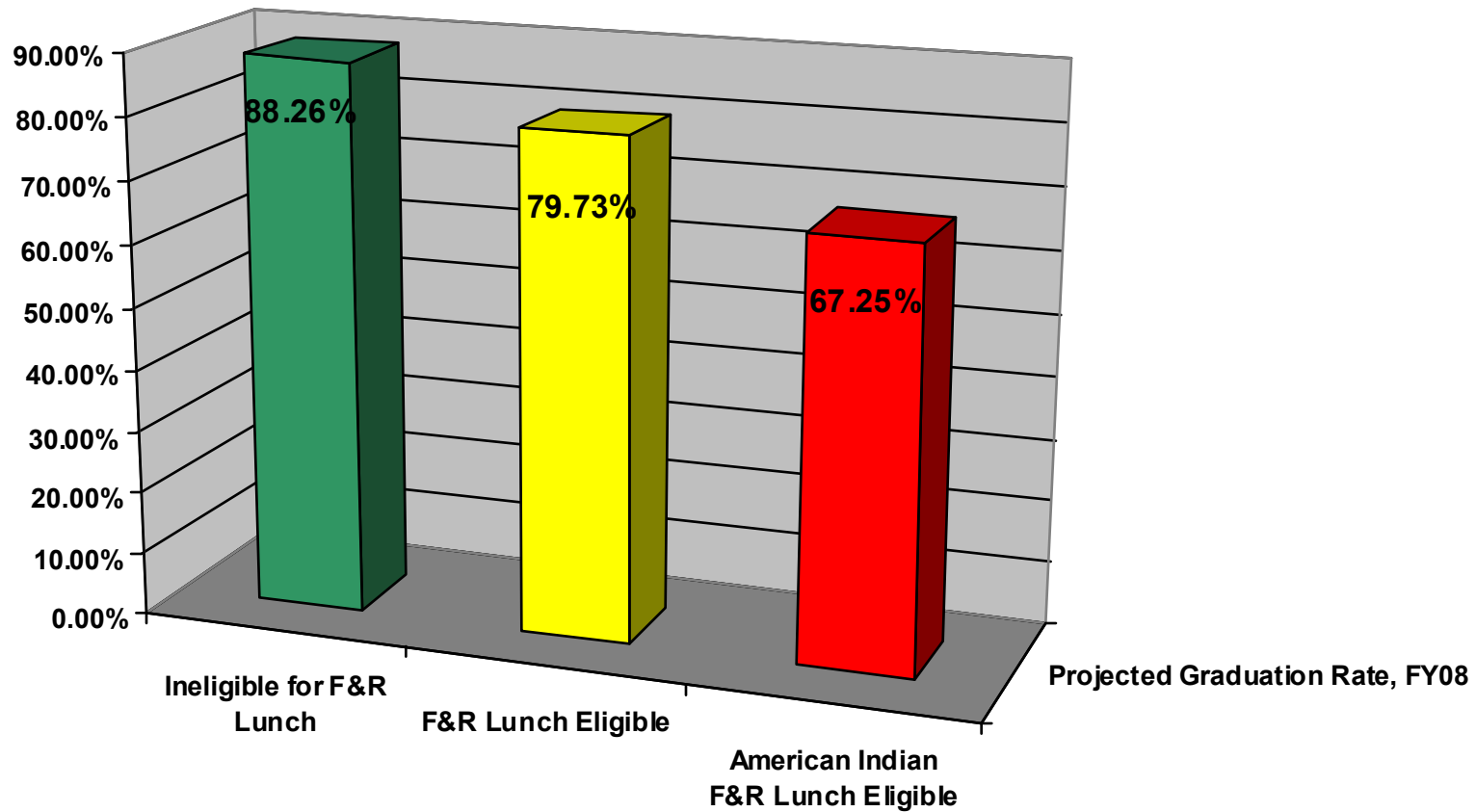


Achievement Gaps

Annual Dropout Rates, 04-06



Achievement Gaps Graduation Rates



Note: Graduation rates are estimated based on continuation of dropout trends documented by OPI in 2004-05 and 2005-06 projected into 2006-07 and 2007-08.

The Consequences of the Failure to Provide a Basic System of Free Quality Schools that Serves All Children, Including At Risk

“On average, dropouts are more likely to be unemployed than high school graduates and to earn less money when they eventually secure work. High school dropouts are also more likely to receive public assistance than high school graduates who do not go on to college . . . The individual stresses and frustrations associated with dropping out have social implications as well: dropouts make up a disproportionate percentage of the nation's prison and death row inmates.”

*Introduction, National Center for Education Statistics’
Report on dropout rates*

A Change in Perspective Needed

We need to think expansively about the future of public education. We cannot make the progress needed on the challenges facing public education without a significant, consistent change in direction.

Reactive Responses vs. Proactive Investments

Currently the state is reacting to the failure to provide sufficient funding to address the needs of all students rather than proactively investing in strategies to narrow the achievement gap and increase graduation rates.

- Corrections spending increase, 06-09 is 57%
- Health and Human Services spending increase, 06-09 is 52%

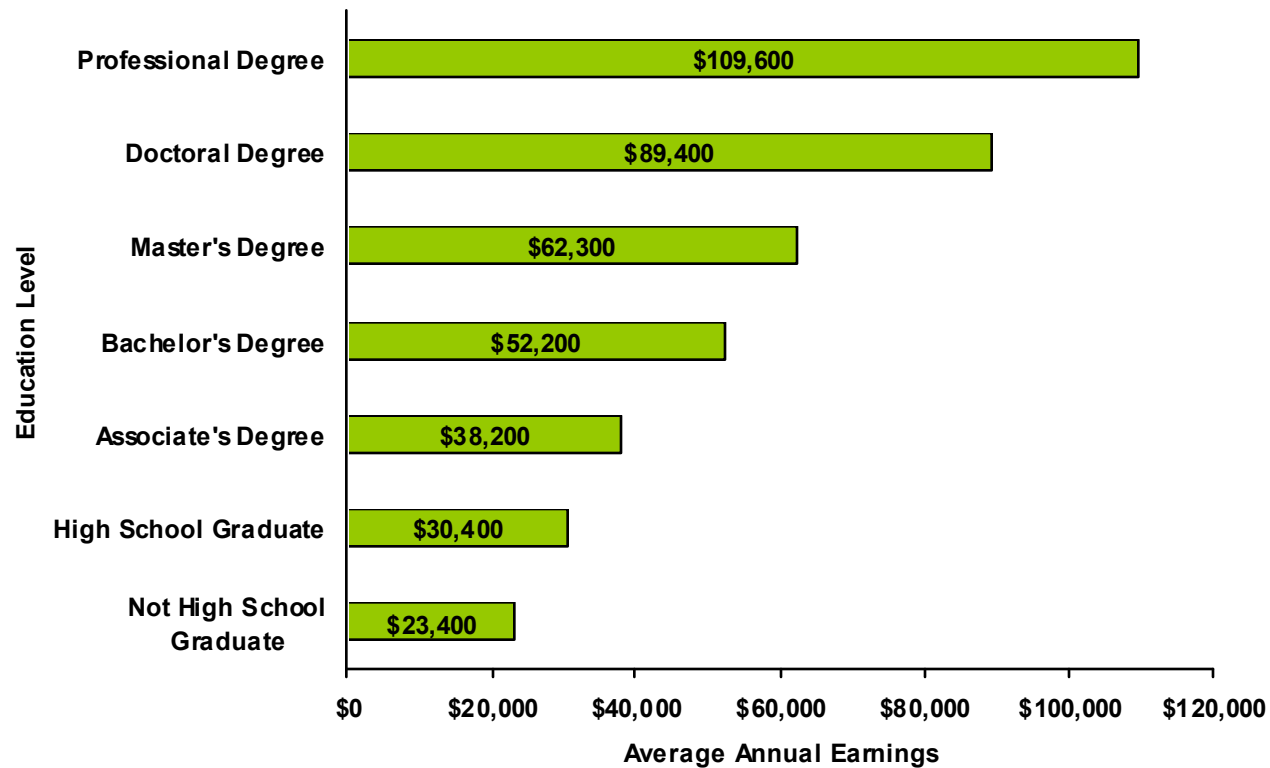
Time for a Renewed Commitment

1. With adequate resources, our public schools are up to the challenge of meeting and overcoming the challenges facing the state at this time.
2. State Investments in K-12 will pay dividends!

How to Break the Cycle of Decreased Emphasis on Public Education and Increased Emphasis on Public Assistance and Incarceration For Those We have Failed? Invest in Public Education!

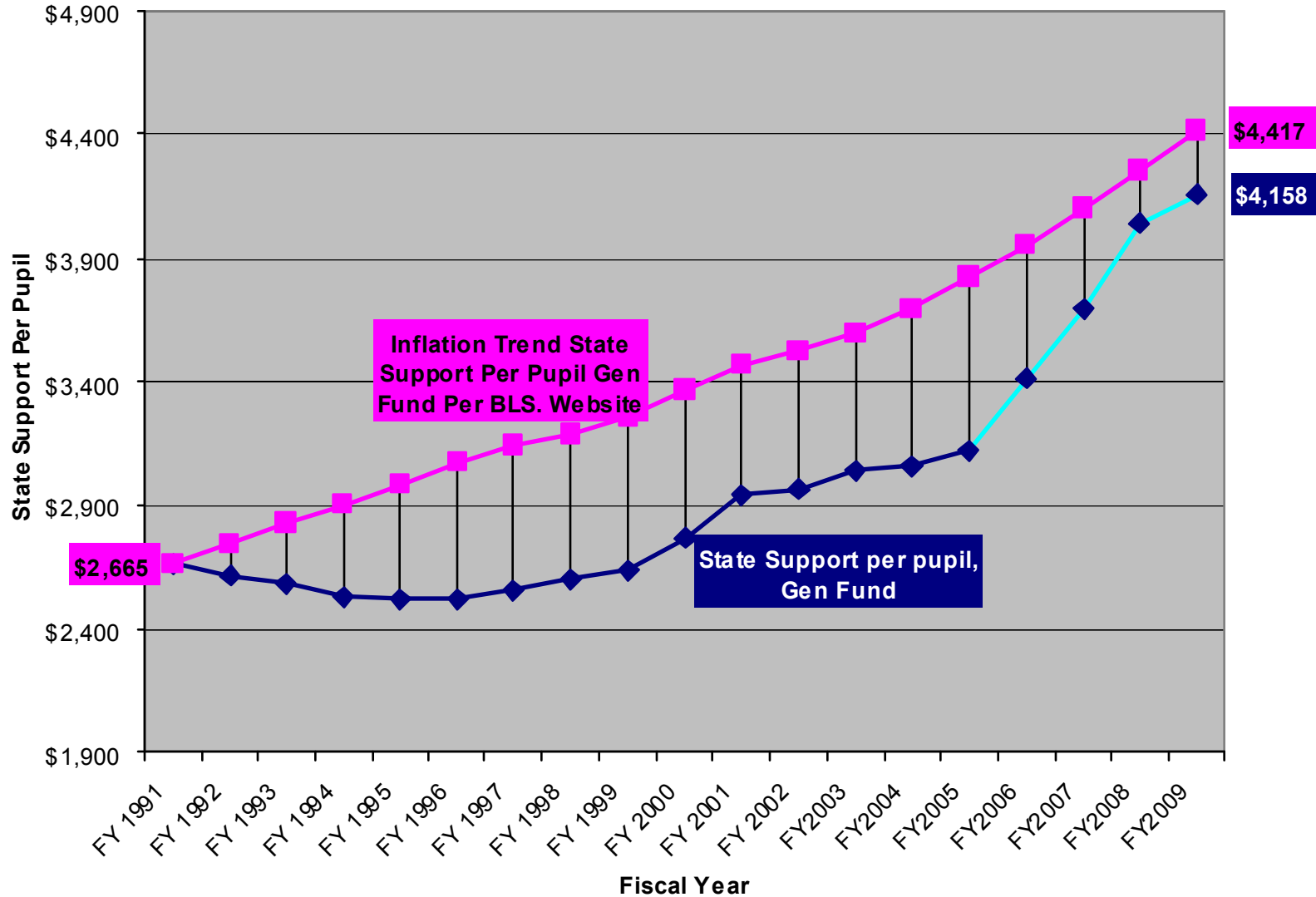
It will Pay Dividends to the State Through Increased Tax Collections and Will Benefit Our Communities and Economy

The Big Payoff: Educational Attainment - From U.S. Census Report



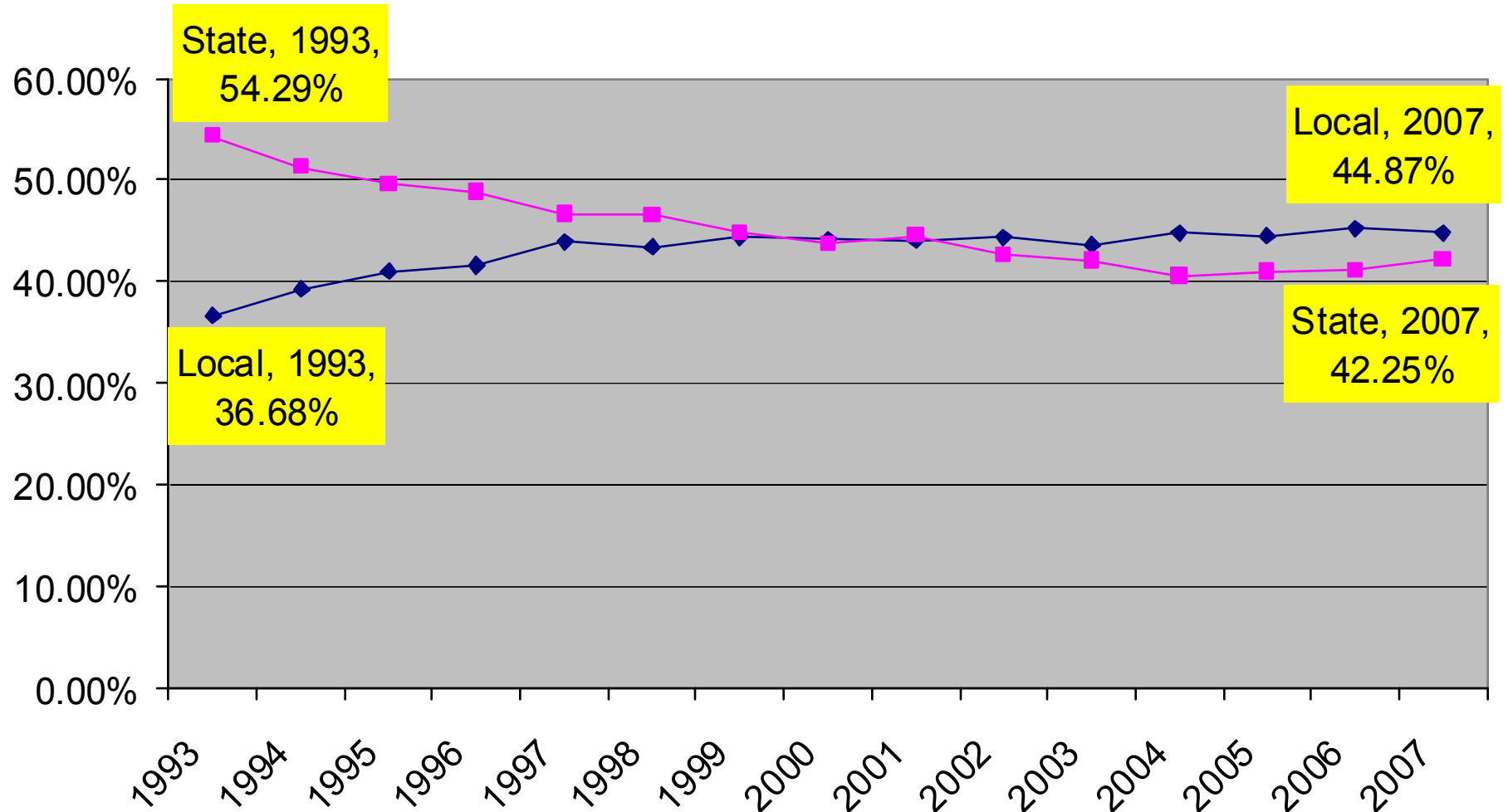
Discussion Thread 2: The Impact of Funding on Local Taxes

State Support Per Pupil – In Spite of Recent Progress, Still Behind 1991 Inflation-Adjusted Levels (\$36.8 Million Short!)

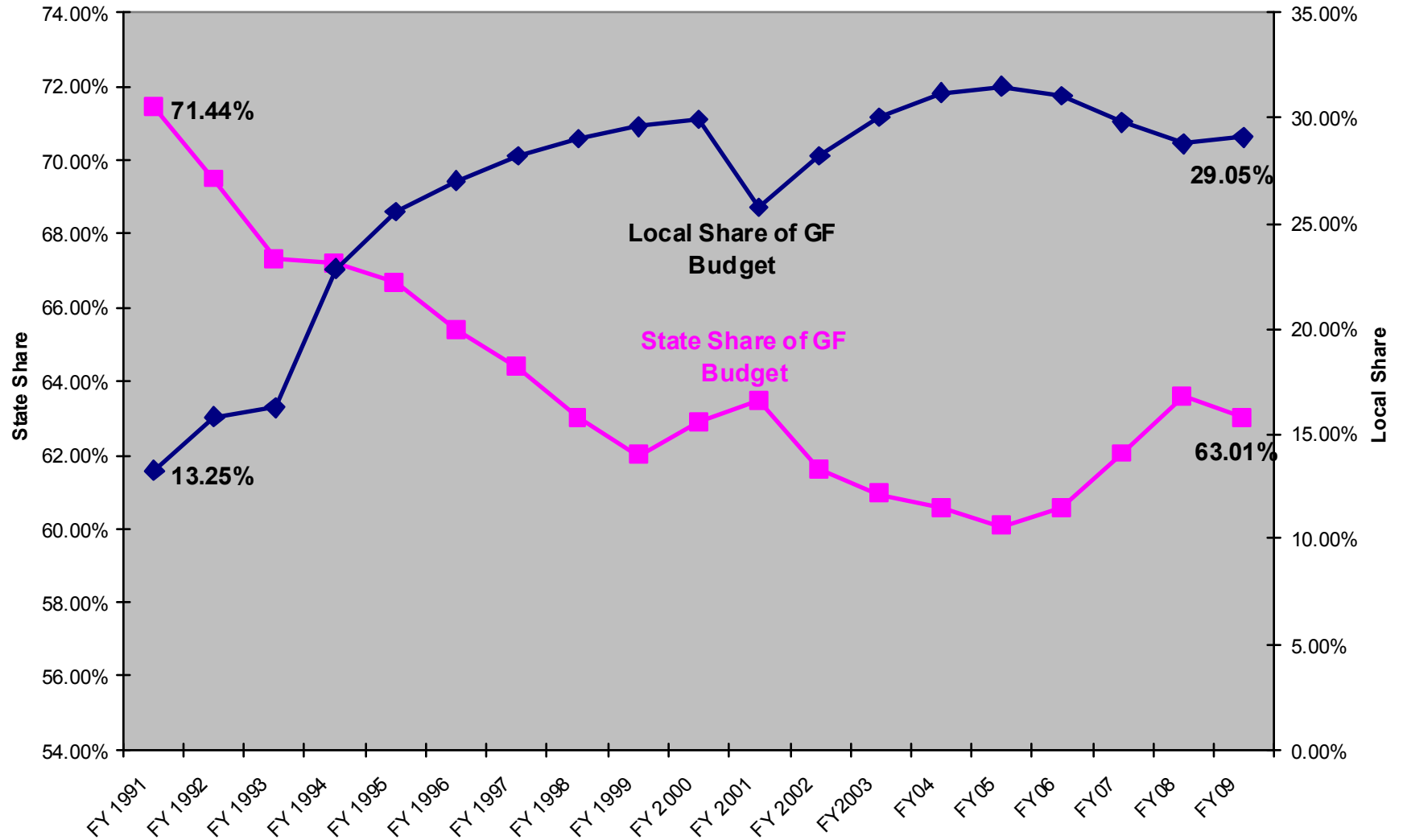


The State Has Reduced Its Share of Total K-12 Spending From 54.29% in 1991 to Only 42.25% in 2007 Local Funding Increased During the Same Time Period from 36.68% to 44.87% Today

Source of K-12 Funding, Local and State

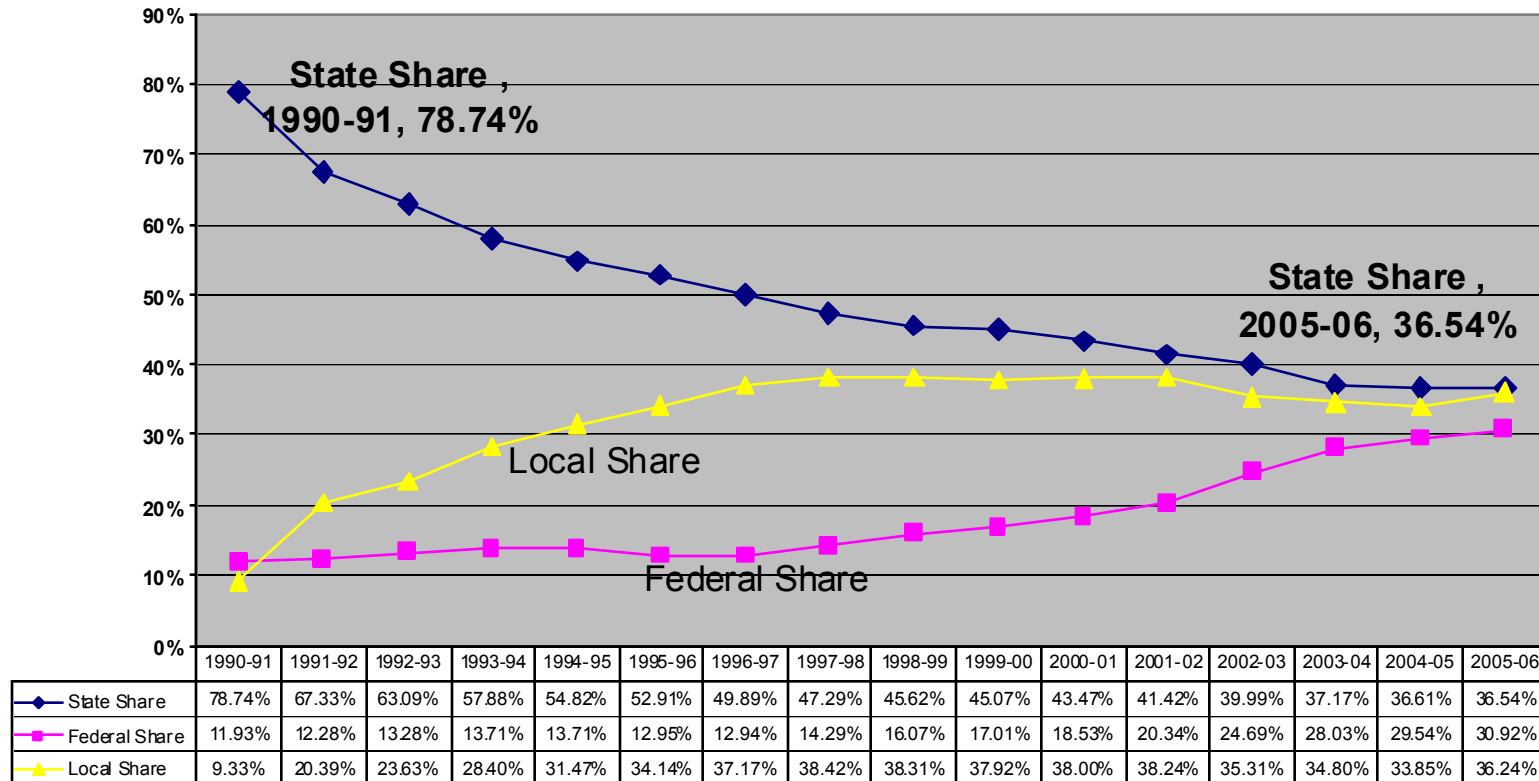


Changes in the Complexion of State and Local Share of General Fund Budgets



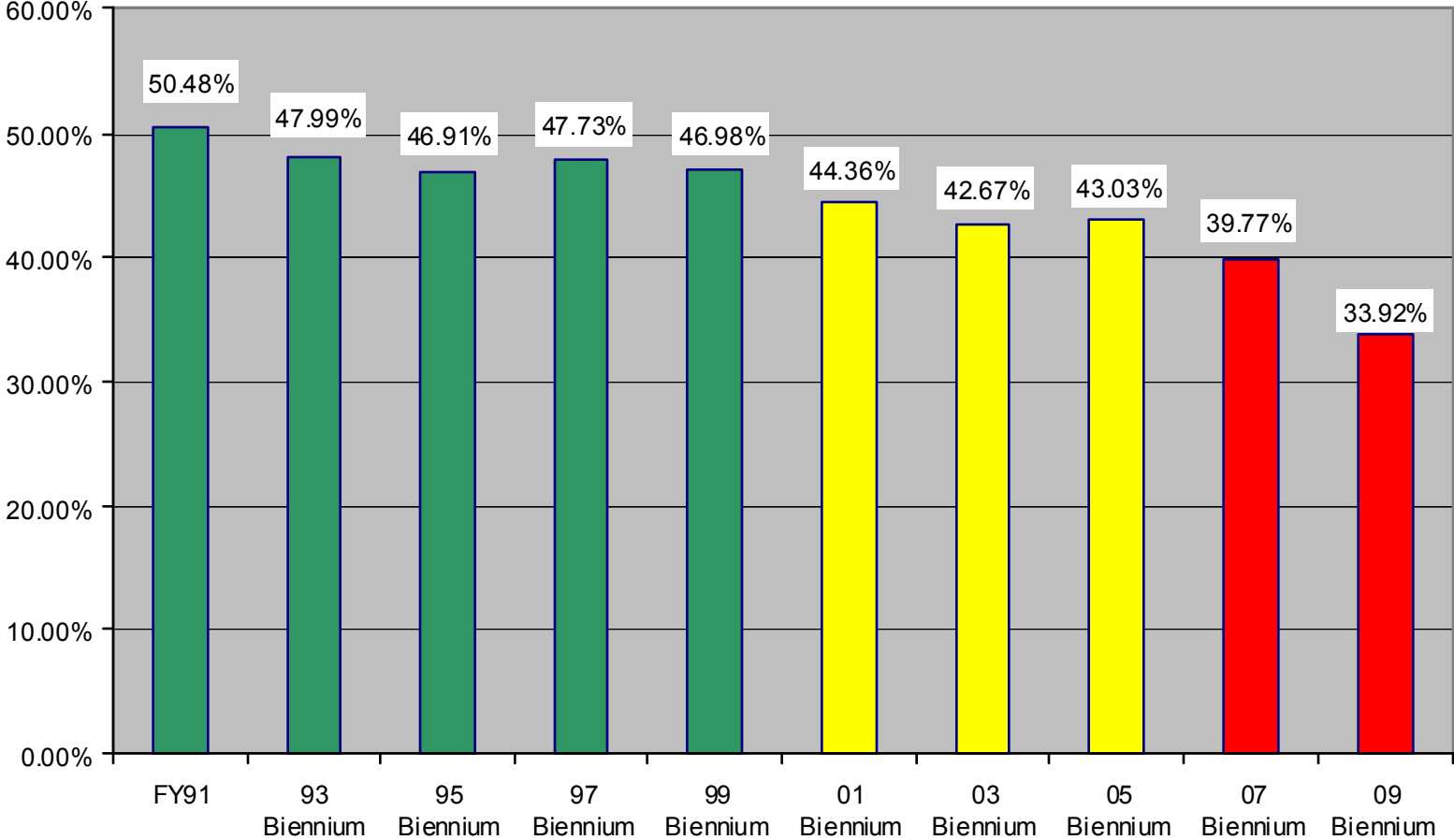
The State Has Reduced Its Share of Special Education Costs By More Than 50% Since 1991, With Local Taxes Picking Up the Difference

Special Education State Share



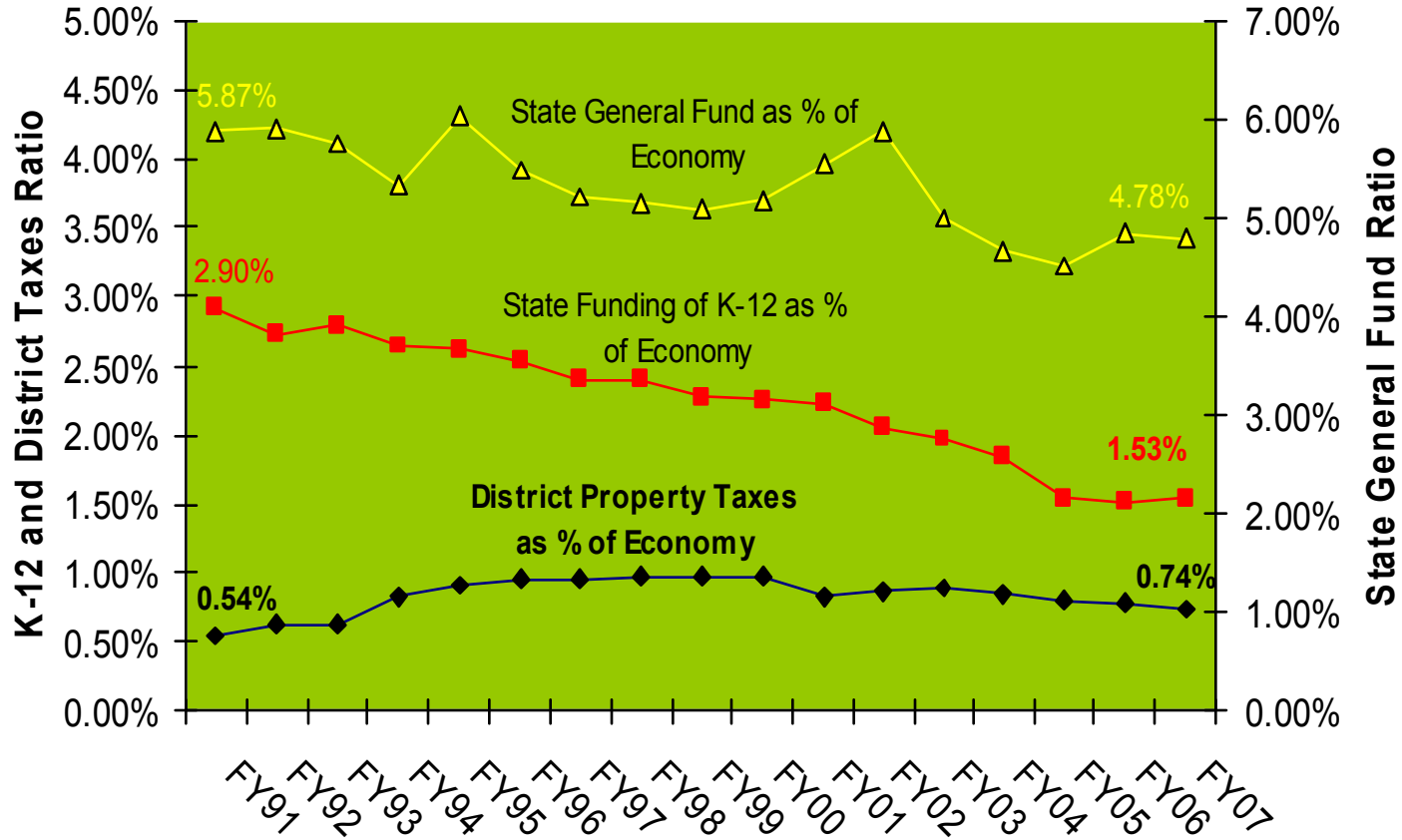
The State Is Spending a Smaller Percentage of Its General Fund on K-12 Public Education Than at Any Time Since 1991

K-12 Appropriation as Percentage of the State General Fund



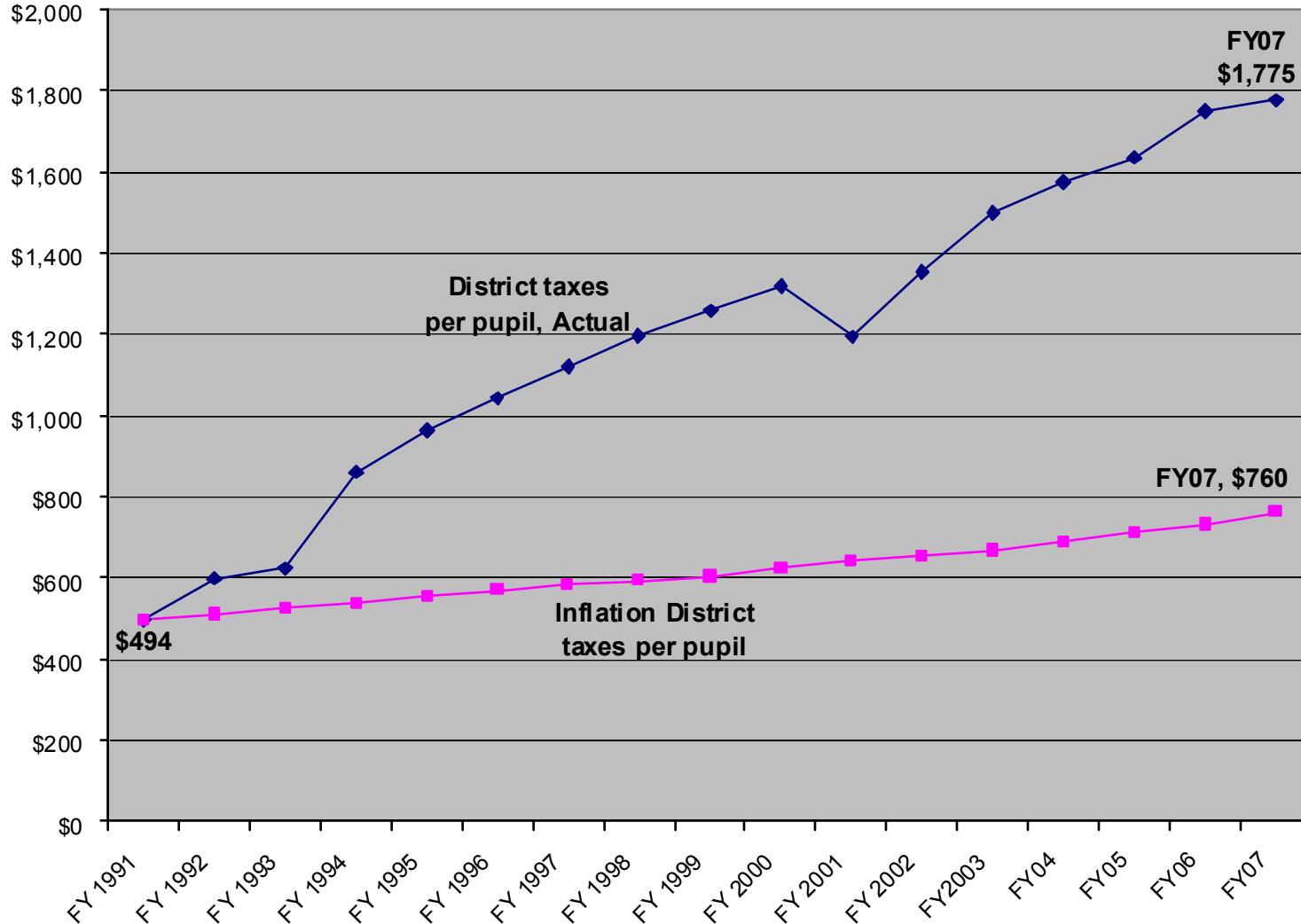
Funding K-12 Public Education is Within the State's Means – State Support of General Fund Budgets as a share of our gross state product fell for several years, however, and is currently \$472 million per year below 1991 levels.

State K-12, District Property Taxes and State General Fund Spending, Compared to Gross State Product



District Taxes and Inflation

District Taxes Per Pupil - \$146 Million *Per Year* Higher Than Inflation Since 1991



Changes in Dynamics Since 1991

- Our attempts to reclaim state funding lost since 1991 are complicated by the following trends that have increased the costs of education in Montana well beyond ordinary inflation:
 - **The Internet** and related technology expenses
 - 1991 – no internet.
 - Today, full integration of technology into K-12 curriculum expected.
 - **Energy**
 - 1991 – Montana had among the cheapest costs for regulated electricity and natural gas
 - Today, Montana has among the highest costs for electricity and natural gas in a deregulated environment.
 - **No Child Left Behind Act**
 - 1991 – Public Education guarantees a seat for each child.
 - Today – Public Education guarantees proficiency for all, regardless of family circumstance or other challenges. Federal funding is inadequate to address the costs associated with the new mandates of NCLB.
 - **Health Insurance:** Health insurance costs have risen dramatically since 1991, over double the amount of ordinary inflation. Because public education is a labor intensive industry, this trend impacts K-12 public education more than other industries.

Discussion Thread 3: MQEC's Remedy Proposal



- Remedy proposal crafted over several months by educators from throughout Montana.
- The components of MQEC's Remedy Proposal are designed to allow schools to prevail over the challenges specified above, and provide an education in compliance with Article X, Section 1 of the Montana Constitution.
- Formally announced March 20 2008
- A work in progress – your input needed!

Proposal Element 1

- **Quality Educator Payment Increase: MQEC recommendation:**
 - An increase of \$7,250 per Quality Educator.
 - Designed to allow school districts to improve salary ranking to 25th in the nation when fully implemented.
 - Intended to allow school districts to make progress on salaries and benefits for non-teaching employees as well.
 - 3 year averaging applied.
- **Estimated Annual Fiscal Impact: \$91 million**

Proposal Element 2

- **Special Education Costs:**
MQEC recommendation
 - Raise the state's share of special education costs to 80%, where it was in the late 1980's.
 - Add 3-5 year olds who qualify for services under IDEA in the ANB count and make them eligible for IDEA funds as any other K-12 IDEA student.
 - Set aside 5% of increased state funding for disproportionate costs.
- **Estimated Annual Fiscal Impact: \$47.5 million**

Proposal Element 3

- **At Risk Funding**
MQEC recommendation
 - Implement a flat payment of \$1,000 per at risk ANB.
 - Determine at risk count by eligibility for free or reduced lunch in the elementary district (for both elementary and high school).
 - If the district does not have a lunch program, eligibility would be determined on an alternative basis.
- **Estimated Annual Fiscal Impact: \$47.8 million**

Proposal Element 4

- **Payment for Textbooks and Supplies**

MQEC recommendation

- Implement a new formula component for textbooks and supplies, set at \$260 per pupil.
 - Amount derived from low end of the estimates for textbooks and supplies established by the Quality Schools Interim Committee.
- **Estimated Annual Fiscal Impact: \$39 million**

Proposal Element 5

- **Indian Education for All:**

- **MQEC recommendation**

- Implement Senate Bill 390, 2007
Legislative Session.

- SB 390 called for a \$50 per-ANB payment
with a minimum of \$1000 for each district.

- **Estimated Annual Fiscal Impact: \$4.5
million**

Proposal Element 6

- **School Unit Payment for Building Operations**

MQEC recommendation

- State should make the one time only payment from FY08 under Senate Bill 2 of the 2007 Session permanent.
 - Flat unit payment of approximately \$33,000 for every 250 elementary children, every 450 middle school children and every 800 high school children in the district.
 - Each school district receives at least one unit per applicable grade levels served.
- **Estimated Annual Fiscal Impact: \$29.9 million**

Additional Recommendations

- CPI-U Adjustment to All Formula Elements
- Add 25% local option above the BASE budget funded by the state
- Permissive levy above BASE for up to 4% per year, any increase beyond 4% subject to voter approval.
- Track State's progress on Facilities.
- Reasonable Phase In
- Make appropriations for schools biennial.