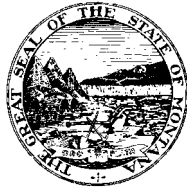


OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



JOHN BOHLINGER
LT. GOVERNOR

February 8, 2008

Honorable Mike McGrath
Attorney General
P.O. Box 201401
Helena, MT 59620-1401

Dear Attorney General McGrath:

I am writing to provide you with a report on actions taken by the 2007 Legislature to provide Montana's schoolchildren with "a basic system of free quality public elementary and secondary schools," as required by Article X, section 1(3) of the Montana Constitution and the Montana Supreme Court's decision in *Columbia Falls Elementary School District No. 6 v. State of Montana*, 2005 MT 69. The information in this report is intended to be considered cumulatively, along with information I provided you in letters of September 30, 2005 and January 27, 2006, following the regular and special sessions of the 59th Legislature. The information contained in the combined reports illustrates the State of Montana's actions since and compliance with the 2005 Montana Supreme Court decision.

To summarize at the outset, included among the education highlights of the 2007 Legislature were: first time state funding for voluntary full-time kindergarten; inflationary funding increases to the basic entitlement and per-ANB entitlement; a 51% increase in the quality educator payment, along with an expansion of the professionals considered quality educators; additional funding for Indian Education for All; establishment of a quality educator loan assistance program; ongoing funding for K-12 education data systems; funding to hire targeted curriculum specialists; funding to restore actuarial soundness to Montana's teachers' retirement system; and one-time only funding to schools for gifted and talented students and for capital investment and deferred maintenance, among other measures.

Stated in terms of dollars, for the 2009 biennium, the 2007 Legislature appropriated \$92.4 million in new, ongoing funding for quality education in Montana.¹ See Attachments 1A and 1B. This Administration is proud to recognize that, when

¹ The figures used in this status report are as reported in the Legislative Fiscal Division's post-session biennium fiscal reports, found at http://leg.mt.gov/css/fiscal/report_info.asp#fr.

combined with \$90.3 million new, ongoing money appropriated by the Legislature for quality education for the 2007 biennium, the increased ongoing state funding for quality education in Montana since fiscal year (FY) 2005, when the Supreme Court issued its decision in *Columbia Falls Elementary School District*, amounts to \$182.7 million, or 32% in four years.

Additionally, the Legislature made significant one-time-only appropriations for quality education in Montana. For the 2009 biennium, the Legislature appropriated \$45.5 million in one-time-only funding for education. Combined with \$216.5 million² in one-time-only funding in the 2007 biennium, the total one-time-only funding for quality education since the 2005 Supreme Court decision amounts to \$262 million. See Attachments 1A and 1B.

Three comments about these figures deserve explanation. First, for consistency, the figures presented in this report for the 2007 and 2009 biennia are amounts budgeted, or appropriated, and not actual dollars spent, since those amounts are not known for the 2009 biennium.

Second, the figures in this report are stated in terms of overall funding to support a quality education for all Montana's public schoolchildren, and, therefore, include appropriations to entities in addition to local school districts. Even if looking at funding to local school districts, alone, the Legislature has increased new, ongoing funding to the districts by \$148.2 million, or 27%, since the 2005 Court decision (\$60.4 million in the 2009 biennium, on top of new, ongoing funding of \$87.7 million in the 2007 biennium). See Attachment 1A. Additionally, the Legislature provided one-time-only appropriations to school districts of \$45 million in the 2009 biennium and \$34 million in the 2007 biennium, for a total of \$79 million over four years. See Attachments 1A and 1B.

Third, the figures presented above show only *new* money each fiscal year (Attachment 1A) or each biennium (Attachment 1B). They, therefore, do not reflect the full amount of money appropriated by the Legislature for education each fiscal year of the biennium. The amount of money appropriated for the current biennium, which includes fiscal years 2008 and 2009, is provided in the detailed narrative discussion of actions taken by the 2007 Legislature, found in part III, below, and is illustrated in the table included as Attachment 2.

² A \$50 million one-time-only appropriation by the 2007 Legislature to the teachers' retirement system to help reduce the unfunded liability of the system had an immediate effective date, and, therefore, is indicated as an FY 2007 appropriation. (This is discussed further in the body of this report.)

Below is a summary of the court decision and legislative actions in 2005, followed by a detailed presentation of the 2007 enactments.

I. Court Decision

In March 2005, the Montana Supreme Court issued its opinion in *Columbia Falls Elementary School District* that Montana's system for funding its K-12 schools was constitutionally deficient in that the State: 1) had failed to "provide a basic system of free quality public elementary and secondary schools," as required by Article X, section 1(3) of the Montana Constitution; and 2) had failed to recognize the distinct and unique cultural heritage of American Indians, as required by Article X, section 1(2) of the Constitution. Regarding the quality education requirement, the Court held that to satisfy the constitutional standard, the State, first, had to enact a definition of "quality" education, and, second, devise and fund a system that correlated with and was grounded in principles of quality.

II. 2005 Legislation: Definition of Quality, Definition of Educationally Relevant Factors, Enactment of Funding Formula and Appropriations Consistent with Definitions

In 2005, the Legislature passed Senate Bill No. 152 (SB 152), now codified at Mont. Code Ann. § 20-9-309, which, among other things, defined a "basic system of free quality public elementary and secondary schools" as meaning:

- an educational program specified by accreditation standards;
- educational programs to provide for students with "special needs," meaning
 - students with disabilities
 - at-risk students
 - students with limited English proficiency
 - students qualified for services under 29 U.S.C. 794
 - gifted and talented students;
- educational programs to implement Montana's constitutional requirement of preserving the "distinct and unique cultural heritage of the American Indians";
- qualified and effective teachers, administrators, and staff;
- student transportation;
- facilities and distance learning technologies associated with meeting accreditation standards;
- measurements of student achievement; and
- preservation of local control.

Mont. Code Ann. § 20-9-309(2).

The same 2005 legislation, SB152, included definitions of “educationally relevant factors” that the legislature must consider when it funds the basic system of quality education and when it makes adjustments to its funding formula. These “educationally relevant factors” include:

- the number of students in a district;
- the needs of isolated schools with low population density;
- the needs of urban schools with high population density;
- the needs of students with special needs;
- the needs of American Indian students; and
- the ability of schools to recruit and retain qualified educators and other personnel.

Mont. Code Ann. § 20-9-309(3).

In addition to enacting these definitions, the 2005 Legislature meeting in regular and special sessions enacted substantive education law changes and appropriated significant money for quality public education during the 2007 biennium. The enactments included permanent entitlement increases to Montana’s two primary school funding components (basic entitlement and per-ANB entitlement), three-year averaging of the per-ANB entitlement to assist schools with declining enrollments, and four new entirely state-funded components to Montana’s school funding formula, including a “quality educator” component, an “at-risk student” component, an “Indian Education for All” component, and an “American Indian achievement gap” component. The Legislature appropriated \$90.3 million in new, ongoing money and \$166.5 million in one-time-only money for quality education in the 2007 biennium. (This figure of \$166.5 million does not include a \$50 million one-time-only appropriation to the teachers’ retirement system made by the 2007 Legislature and distributed in FY 2007, discussed later in this report.) See Attachments 1A and 1B. Importantly, the new components and the appropriations were targeted, using educationally relevant factors, to elements of a “quality” education, as newly defined in statute. See Attachments 3 and 4.

III. 2007 Legislation

A. Full-Time Kindergarten

The education highlight of 2007 was the passage of legislation to establish and fund, for the first time in Montana, voluntary, full-time kindergarten, including funding for start-up costs. Full-time kindergarten is voluntary in Montana in two ways. First, consistent with the policy of local control, the board of trustees of each elementary school district designates a kindergarten program either half- or full-time (360 vs. 720 hours annually, respectively). Second, those programs designated full-time must allow parents the option of choosing half-time kindergarten for their children. Data from OPI this past fall

showed that for academic year 2007-08, 87% of Montana's kindergarten-age children had access to full-time kindergarten, as compared to the 28% of kindergarten-age children who had access to full-time kindergarten in the prior academic year, 2006-07, without the support of state funding.

The option of full-time kindergarten for Montana children is intended to enhance the quality of their education, as studies show: improved student achievement for all students – ranging from those considered “at-risk” to those considered “gifted and talented”; closure of the achievement gap between different socioeconomic and ethnic or racial groups; and positive gains in social, behavioral, and developmental needs. Full-time kindergarten is considered an educational best practice.

In terms of funding, the Legislature appropriated \$28 million of general fund money for the 2009 biennium to school districts offering full-time kindergarten, and \$10 million in one-time-only start-up funds to school districts designated by their trustees prior to July 1, 2012 to offer a full-time kindergarten program.

B. Quality Educators

1. Quality Educator Payment Component

A major component of the legislation enacted in the 2005 special session was the “quality educator” payment, a payment to school districts based on the number of full-time equivalent licensed educators and other licensed professionals employed by the district. See Mont. Code Ann. § 20-9-327. Not only is the quality educator payment a significant source of state funding for local school districts, the payment is also funded exclusively with state dollars and does not rely on any local property tax revenue. It has another advantage to local school districts in that, because it is tied to the number of “quality educators” in the district, it is a relatively stable source of funding in contrast to the per-ANB entitlement to schools, which fluctuates with student enrollment. Finally, the quality educator payment is notable in that it directly addresses a core component of what it means to have a quality educational system, that is, providing students with quality educators and establishing a funding source to help recruit and retain them, thereby, as well, assisting schools in meeting accreditation standards.

In special session, the 2007 Legislature increased the quality educator payment by more than 50% and appropriated in excess of \$27 million of new money over the biennium (\$13.5 million in each fiscal year) to fund the quality educator component of Montana's school funding system. As well, the Legislature expanded the definition of “quality educator” to include licensed psychologists and licensed social workers.

2. Quality Educator Loan Assistance

Included within SB 2, passed in the May 2007 special session, was a new quality educator loan assistance program, providing for the direct repayment of educational loans for up to four years in an amount not to exceed \$3,000/year. The Legislature appropriated \$1.1 million over the biennium to fund the program.

To be eligible for the loan repayment assistance, quality educators must be employed at specific schools that are impacted by quality educator shortages, as determined by the Board of Public Education in consultation with OPI. The program also targets specific licensure or endorsement areas impacted by quality educator shortages in the identified schools, again as determined by the Board of Public Education in consultation with OPI. This program assists targeted schools in alleviating problems recruiting and retaining quality educator shortages. In this way, too, it will assist schools in meeting state accreditation standards.

C. Inflationary Increases - Basic Entitlement and Per-ANB Components

In my letter to you of January 27, 2006, I described three major funding components of Montana's K-12 public schools as akin to a three-legged stool. One leg is the "quality educator" payment, discussed above. Another leg is the basic entitlement payment to each elementary and high school district, regardless of size. The third leg consists of the per-ANB entitlement, which is tied to the number of students in the district.

In the May 2007 special session, the Legislature appropriated in excess of \$38.2 million of new money over the biennium for the basic entitlement and per-ANB inflationary increases (\$15.5 million in fiscal year 2008; \$22.7 million in fiscal year 2009). The inflationary increases constitute the largest source of new money to Montana's K-12 public schools for the biennium.

D. American Indian Achievement Gap Component

In the 2005 special session, the Legislature enacted an "American Indian achievement gap payment" to Montana's school funding formula, codified at Mont. Code Ann. § 20-9-330. The American Indian achievement gap payment is intended to help close the identifiable achievement gap existing between American Indian and non-Indian students in Montana schools. This payment is included within a local school district's BASE budget [a district's minimum general fund budget, as defined in Mont. Code Ann. §20-9-306(3)], and is entirely state-funded. The 2005 legislation requires that on or before September 15, 2010, OPI must report on the change in status of standardized test scores, graduation rates, and drop-out rates of American Indian students, using FY 2006 data as a baseline. Mont. Code Ann. § 20-9-330(4). [Another school funding

component, the at-risk payment, enacted in 2005, contains the same reporting requirement, or accountability feature. Mont. Code Ann. § 20-9-328(3).]

The 2007 Legislature, in its May special session, additionally appropriated money to OPI to fund a state education agency Indian achievement gap analyst, who will gather data, analyze successful strategies, and provide technical assistance to schools to improve Indian student achievement. The funding for the state Indian achievement gap analyst complements and coordinates with the American Indian achievement gap payment included as part of the school funding formula.

E. Indian Education for All Component

In 2005, for the first time in its history, Montana breathed life into its constitutional commitment to recognize the distinct and unique cultural heritage of American Indians. In December 2005, the Legislature enacted an "Indian Education for All payment," which is made to school districts and included as part of their BASE budgets. Mont. Code Ann. § 20-9-329. The payment is entirely state-funded.

In the May 2007 special session, the Legislature amended 20-9-329 to specify that any public school receiving the Indian Education for All payment must use it only for the purpose of "curriculum development, providing curriculum and materials to students, and providing training to teachers about the curriculum and materials." Additionally, the school district must file an annual report with OPI specifying how the funds were spent.

Also, in May 2007, the Legislature approved ongoing funding to OPI to provide professional development related to the Indian Education for All program. It also appropriated \$3 million of one-time-only money for the biennium to be distributed to schools for Indian Education for All. As well, the Legislature appropriated close to \$500,000 for completion of the Indian Education for All tribal history project initiated in 2005.

F. Guaranteed Tax Base Aid

Montana provides local elementary and high school districts with guaranteed tax base aid from the state general fund to assist districts with mill values lower than the statewide average. SB 2, passed during the May 2007 special session, increased the percentage of the statewide taxable valuation included in the calculation that determines the statewide guaranteed tax base ratio from 175% to 193%. See amendment to Mont. Code Ann. § 20-9-366, found in section 19 of SB 2. The Legislature correspondingly appropriated in excess of \$21 million over the biennium to fund the increased guaranteed tax base aid. This increase in the state guaranteed tax base aid will allow local school districts to provide local property tax relief (\$21 million) to support the same level of services with state support.

G. Other school law changes

1. Middle School Entitlement

Included among the provisions of SB 2 from the May 2007 special session was a basic entitlement for qualified junior high school, middle school, and 7-8 grade programs, modifying the weighted elementary basic entitlement existing under previous law. The new middle school entitlement helps make the elementary basic entitlement less dependent on student enrollment. This new entitlement was funded in the amount of approximately \$1 million for the biennium.

2. Revision of Moratorium on Creation of New School Districts

During its regular session, the 2007 Legislature enacted SB 291 to revise the moratorium on new school districts to allow creation of a high school district solely for the purpose of expanding an elementary district into a K-12 school district. The need was expressed particularly by residents of Big Sky, Montana, who sought, through local control, to expand their elementary district into a K-12 district for the safety and security of their students and in response to growth in this geographically isolated area.

H. Teachers' Retirement System

A significant component of every school employee's benefit package is the retirement benefit, providing the employee with future retirement income. When the Legislature convened in 2005, Montana's teachers' retirement system was not actuarially sound, and the 2005 Legislature acted to reduce the system's unfunded liability with a significant cash infusion. When the Legislature convened in 2007, the teachers' retirement system remained actuarially unsound, with a reported unfunded liability by the system's actuaries in their annual report of July 1, 2006 in the amount of \$863.1 million.

In order to address the unfunded liability, in its regular session, the 2007 Legislature increased employer contributions to the teachers' retirement fund and enacted an ongoing supplemental state contribution, payable out of the state general fund on behalf of K-12 schools and local taxpayers. This supplemental state contribution is funded through a statutory appropriation, estimated to be \$27 million this biennium. See HB 63. HB 63 additionally appropriated \$50 million of one-time-only money into the teachers' retirement system. (Because the \$50 million appropriation in HB 63 had an immediate effective date, this amount shows up on the attached tables as an appropriation in fiscal year 2007.)

With these combined measures (one-time-only infusions of money in 2005 and 2007, increased employer contributions, and an ongoing supplemental state contribution), the

system is now actuarially sound. These measures, providing significant state funds to secure the actuarial soundness of the teachers' retirement system, are intended to help attract and retain qualified educators and other personnel in Montana's schools.

I. Other Significant Ongoing Appropriations

Other significant ongoing appropriations to K-12 public education from the May 2007 special session are listed below. Where policy background information is important, I have included it.

1. Appropriations to Montana's K-12 schools:

- Special education: \$1.1 million – FY 2008; \$2.3 million – FY 2009
- Pupil transportation: \$100,000 – FY 2008; \$200,000 – FY 2009
- School facilities reimbursement: \$1.1 million in each year of the biennium
- Adult education: \$250,00 in each year of the biennium

2. Appropriation to School for the Deaf and Blind:

- Outreach consultants \$227,000 – FY 2008; \$221,000 – FY 2009

These outreach consultants are responsible for providing technical consultation to local school districts related to educating sensory-impaired children entering and enrolled in Montana's schools.

3. Appropriations to OPI administration:

- K-12 education data systems: \$1.9 million – FY 2008; \$1.6 million - FY 2009
- Curriculum specialists: \$959,700 – FY 2008; \$924,816 - FY 2009

The 2005 Legislature appropriated one-time-only money to OPI to develop K-12 education data systems to be used to help measure student achievement and college readiness, as well as to assess teacher information data. These data systems address that piece of the statutory definition of "quality schools" consisting of "a procedure to assess and track student achievement in the programs. . . ." Mont. Code Ann. § 20-9-309(2)(g). In special session, the 2007 Legislature designated the appropriation for the data systems as ongoing. Of the amount appropriated, approximately \$3 per ANB each fiscal year (estimated at close to \$500,000), will be distributed to local school districts to offset the districts' expenses associated with connecting to the data systems.

The funding to OPI for six curriculum specialists will allow OPI to assist Montana's public schools in meeting accreditation standards, which is the first measurement of the definition of "basic system of free quality public elementary and secondary schools"

found in 20-9-309. Mont. Code Ann. § 20-9-309 (2)(a). Notably, Montana had been the only state in the nation without curriculum specialists, following the elimination of these positions from OPI's budget by the 1993 Legislature.

The curriculum specialists will focus in targeted subject areas, such as mathematics, science, and early childhood (including kindergarten), among others, and are intended to provide support to local schools in things such as curriculum development, instructional strategies, and classroom assessments. In addition to addressing the statutory definition of quality education that speaks to accreditation standards [20-9-309(2)(a)], these curriculum specialists will enhance Montana's ability to provide "qualified and effective teachers," another component of a quality education, defined in 20-9-309(2)(d).

J. Other Significant One-Time-Only Appropriations

- Facilities improvement account (transfers): \$17.6 million – FY 2008; \$23.2 million - FY 2009
- Gifted and talented: \$1 million in each year of the biennium
- Capital investment and deferred maintenance: \$30 million in FY 2008

SB 2, passed in the May 2007 special session, included a provision (section 8 of the bill) to create a new school facility improvement account in the state special revenue fund to provide a funding source for schools to implement the recommendations of the public school facility condition and needs assessment and energy audit, commonly referred to as the school facility study, which will be completed by July 1, 2008, as provided in section 1, subsection (1)(a) of HB 1, passed by the Legislature in the December 2005 special session. The 2007 legislation did not appropriate money to be spent, but rather transferred money (\$40.8 million over the biennium) into the newly established account to be used as determined by the 2009 Legislature following completion of the school facility study.

The general appropriation bill passed in May 2007, HB 2, included a contingent appropriation of up to \$30 million to K-12 schools for capital investment and deferred maintenance if the general fund revenue received by the State in FY 2007 exceeded the Legislature's 2007 revenue estimate. The trigger was met and \$30 million is being distributed to 889.8 "school units," as that term is defined in section 26 of SB 2 from the May 2007 special session, at a rate of \$33,715 per "school unit." Every school district will receive a minimum payment of at least \$33,715. The legislation authorized school districts to retain and spend this money over a ten year period. See section 26(3) of SB 2 from the May 2007 special session.

As I mentioned in my January 27, 2006 letter to you, the vast majority of one-time-only funding provides the opportunity for Montana's public schools to make investments with

an ongoing, long term benefit. This holds true particularly for money appropriated for capital investment and deferred maintenance and for money infused into the retirement systems.

IV. Where We Stand Today

Since the Court issued its decision in *Columbia Falls Elementary School District*, the Legislature has adopted a thoughtful, comprehensive definition of what it means to provide Montana children with a quality K-12 public education system and has provided significant funding to Montana's public schools in a manner consistent with the principles of "quality education" as required by the Montana Constitution and as defined in Mont. Code Ann. § 20-9-309. Additionally, Montana has appropriated significant money to implement its constitutional commitment to Indian Education for All.

To summarize where we stand today since the 2005 Court decision, the Legislature has:

- defined what constitutes a quality education;
- defined educationally relevant factors for purposes of making adjustments to the funding system it enacts;
- appropriated money to fulfill Montana's constitutional commitment in its educational goals to the preservation of the cultural integrity of the American Indians;
- enacted new provisions to broaden Montana's school funding system (the quality educator, at-risk students, Indian Education for All, and American Indian achievement gap components, adopted in December 2005, and funding for full-time kindergarten, passed in May 2007);
- provided annual increases to the basic entitlement and per-ANB entitlement;
- authorized three-year averaging of the per-ANB entitlement for schools with declining enrollments;
- enacted a middle school basic entitlement, which has the effect of making the elementary basic entitlement less dependent on student enrollment;
- increased Montana's ongoing commitment to quality education for Montana's public schoolchildren by \$182.7 million, or 32% (on top of the \$562.6 million ongoing annual state revenue for education prior to the Court decision);
- appropriated \$262 million one-time-only money to quality education, including \$175 million to Montana's TRS and PERS and \$87 million targeted at other specific areas; and
- transferred \$40.8 million into a new school facility improvement account to provide a funding source for schools to implement the recommendations of the school facility study, which will be completed by July 1, 2008.

It also is important to consider school funding in relation to population trends over time. Significant funding increases have occurred since the 2005 Supreme Court decision

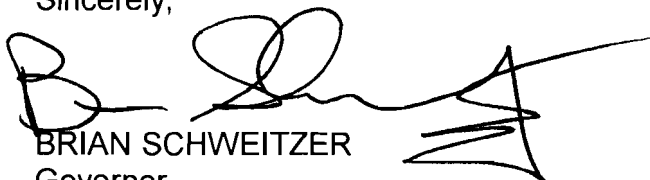
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even in the face of declining enrollment in Montana's public elementary and secondary schools (from 148,168 students in FY 2004 to 143,756 students in FY 2007, or a 3% decrease in enrollment). Notwithstanding the declining enrollment, in the last four years the Legislature has increased ongoing state funding for quality education (which includes money to local school districts, OPI, and other agencies) by \$182.7 million, or 32%. When expressed in terms of ongoing state funding to local school districts, only, the increase totals \$148.2 million, or 27%, over four fiscal years. Population trends are more meaningful, yet, when considered over longer periods of time. Attachment 6 illustrates state funding to local school districts in relation to declining enrollment from FY 1990 through FY 2009.

Most importantly, as directed by the Court, the increased funding for education has been targeted to the elements of a quality education and the educationally relevant factors defined in the 2005 legislation. See Attachments 3, 4, and 5. These materials help illustrate how the requirements of the Montana Constitution and the Montana Supreme Court's decision construing the Constitution are satisfied. As required by the Court, the Legislature has provided "a threshold definition of what the Public Schools Clause requires" and the current funding system *is* "grounded in principles of quality." *Columbia Falls* at ¶ 31.

In closing, I recognize and understand that, regardless of any lawsuit, the process of identifying and addressing the needs of Montana's K-12 public schools is one that is ongoing. While, as stated, I believe that the deficiencies in Montana's school funding system articulated by the Montana Supreme Court in the *Columbia Falls* lawsuit have been satisfied, my Administration will continue to address the needs of Montana's K-12 public schools, and I reaffirm my commitment toward a strong, quality public education system for Montana's children. It is my firm belief that the investment we make in our children not only defines us as policymakers, today, it defines the legacy we leave for Montana in the future.

Sincerely,


BRIAN SCHWEITZER
Governor

Encl.: Attachment 1A: Quality Education Funding Increases Per Fiscal Year
Attachment 1B: Quality Education Funding Biennial Increases
Attachment 2: Quality Education Funding FY 2007 and 2008 Appropriations
Attachment 3: "Quality Education," as defined in § 20-9-309(2), MCA
Attachment 4: "Educationally Relevant Factors," as defined in §20-9-309(3), MCA
Attachment 5: Quality Schools 2009 Biennium - Statutory Checklist

Quality Education Funding Increases Per Fiscal Year

Using FY 2005 as a starting point, each subsequent fiscal year shows the increase or decrease to each line item from the previous fiscal yr

Ongoing - Distributed to Schools	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total Increase
K-12 Base Aid	423,916,209	35,123,519	8,287,730	28,879,785	10,381,650	82,672,684
DSA						
GTB-GF						
Special Ed	36,412,640	2,093,482	842,167	1,086,013	1,213,029	5,234,691
Per Educator			24,316,000	13,516,774	131,673	37,964,447
Indian Education for AI			3,002,430	(30,490)	(39,680)	2,932,260
Close Achievement Gap			3,279,200	14,000	(12,000)	3,281,200
At Risk			5,000,000	-	-	5,000,000
Transportation	12,100,000	42,550	230,000	100,000	100,000	472,550
Facility Reimbursemen	8,411,293	1,000,000	-	1,097,744	-	2,097,744
Instate Treatment	974,896	-	-	(1)	-	(1)
Secondary Vo Ed	715,000	285,000	-	-	-	285,000
Adult Basic Ed	275,000	-	-	250,000	-	250,000
Gifted & Talented	150,000	100,000	-	-	-	100,000
School food	648,653	-	-	2	-	2
HB 124 Block Grants	49,834,848	378,343	381,624	384,511	387,443	1,531,921
Indian Education for AI	-	550,000	-	(550,000)	-	-
State Tuition Payments	-	336,000	-	270,138	-	606,138
Timber for Technology	1,499,495	200,505	-	2,100,000	600,000	2,900,505
GTB-Retirement	22,937,294	50,478	2,226,754	(582,330)	1,116,141	2,811,043
Other (District Audit Oversight)	147,775	3,581	3,014	22,080	5,300	33,975
	\$558,023,103	\$40,163,458	\$47,568,919	\$46,558,226	\$13,883,556	\$148,174,159

OTO - Distributed to Schools	FY 2006	FY 2007	FY 2008	FY 2009	Total OTO
Facility Reimbursement	987,842	987,842			1,975,684
Energy Cost Relief - 2005 Special Sessior	2,000,000				2,000,000
Indian Education for All		7,000,000	1,500,000	1,500,000	10,000,000
Building Operation & Maintenance		23,000,000			23,000,000
Full-Time Kindergarten Startup			10,000,000		10,000,000
Gifted & Talented			1,000,000	1,000,000	2,000,000
Capital Investment & Deferred Maintenance			30,000,000		30,000,000
Total	\$2,987,842	\$30,987,842	\$42,500,000	\$2,500,000	\$78,975,684

Ongoing - Office of Public Instructor	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Total Increase
Office of Public Instructor	4,515,403	268,970	153,663	306,690	210,394	939,717
K-12 Education Data Systems				1,379,314	(274,681)	1,104,633
Assistance to schools for data system connectivity				487,500		487,500
Indian Education for All and Indian Achievement Ga		1,155,423		509,928	219	1,665,570
National Board Certification Stipends		6,000				6,000
Statewide Student Assessment (NRT)				27,500	15,000	42,500
Gifted & Talented - 0.50 FTE			43,917			43,917
Curriculum Specialists (6.0 FTE)				959,700	(34,884)	924,816
Hearing Conservation Program				28,007	21,983	49,990
	\$4,515,403	\$1,430,393	\$197,580	\$3,698,639	-\$61,969	\$5,264,643

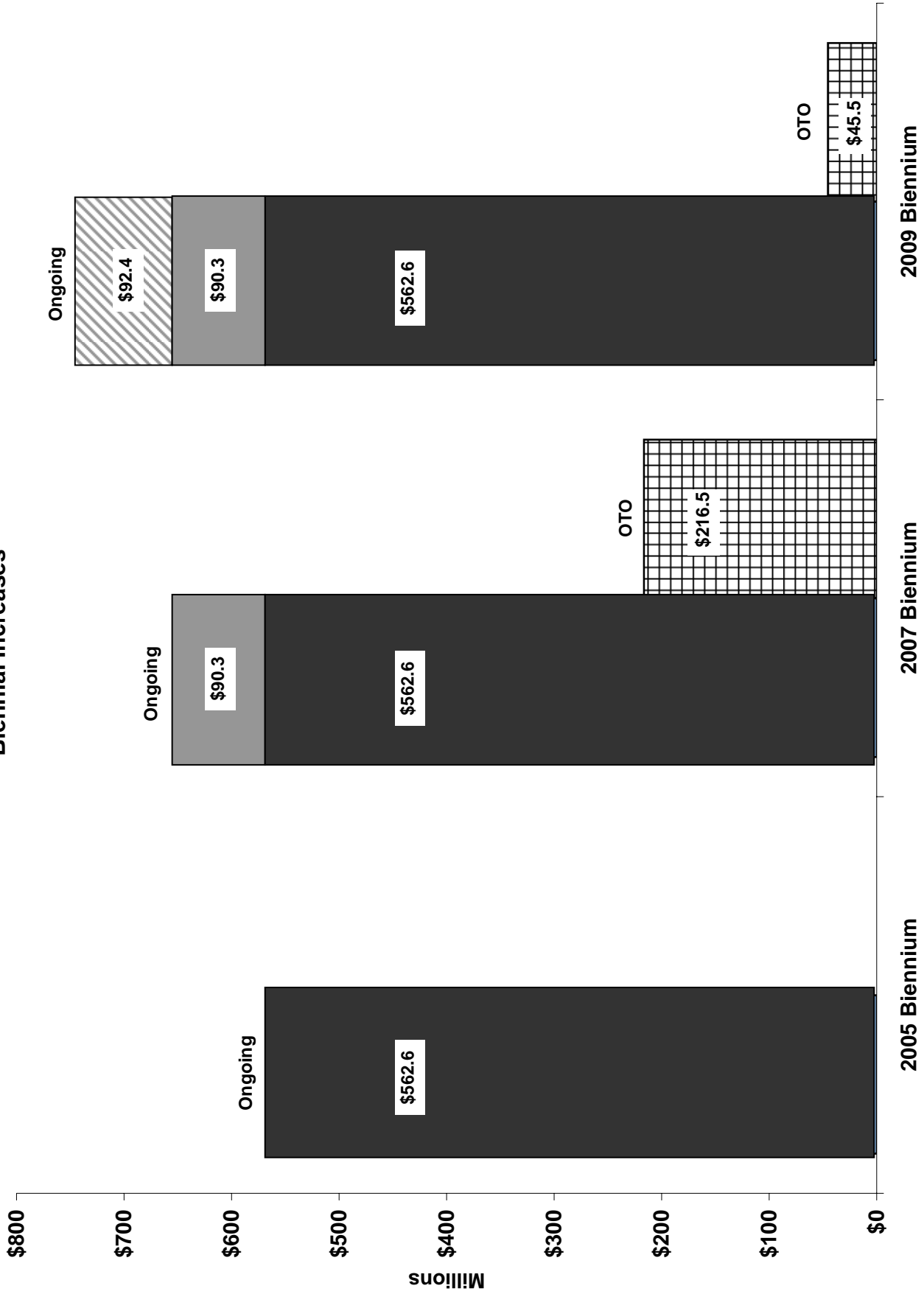
OTO - Office of Public Instructor	FY 2006	FY 2007	FY 2008	FY 2009	Total OTO
Data System	2,455,026	370,974			2,826,000
Audiology Equipment	85,000	85,000			170,000
Tribal History Project			237,500	237,500	475,000
Total	\$2,540,026	\$455,974	\$237,500	\$237,500	\$3,471,000
Transfer to Facilities Improvement Account (not distributed-reserve)			17,581,718	23,174,302	40,756,020

Ongoing - Other Agencies	FY 2006	FY 2007	FY 2008	FY 2009	Total Increase
Teachers Retirement System					
Retirement Rate Increase - Employer contribution for school			13,200,000	13,800,000	27,000,000
Officer of the Commissioner of Higher Educator					
Quality Educator Loan Assistance			350,000	350,000	700,000
School for Deaf & Blind					
Increased teachers & professional salaries	150,000	150,000			300,000
Outreach (HB438 & SB2)		440,000	227,663	(6,154)	661,509
Retention/Recruitment of Highly Qualified Staff			213,857	51,193	265,050
Quality Educator		85,000	20,727		105,727
Retirement Employer Contributions (HB 131)			34,875	1,400	36,275
Arts Council					
Arts Education	30,000		10,000	2,500	42,500
Corrections (Pine Hills & Riverside)					
Quality Educator		63,800.0	15,406		79,206
Indian Education for AI			22,742	123	22,865
Total	\$180,000	\$738,800	\$14,095,270	\$14,199,052	\$29,213,132

OTO - Other Agencies	FY 2006	FY 2007	FY 2008	FY 2009	Total OTO
TRS Retirement - TRS Infusior	100,000,000	50,000,000			150,000,000
PERS Retirement - PERS Infusior	25,000,000				25,000,000
A&E Facility Study		2,500,000			2,500,000
CHE Tribal History Project - CHE	1,000,000	1,000,000			2,000,000
Total	\$126,000,000	\$53,500,000	\$0	\$0	\$179,500,000



Quality Education Funding Biennial Increases



2/8/2008

ATTACHMENT 1B



NOTE: Does not include \$40.8 million transfer to Facilities Improvement Account.

Source: Post Session Legislative Fiscal Reports for each biennium http://www.leg.mt.gov/css/fiscal/report_info.asp#fr

2/7/2008

**Quality Education Funding
FY 2008 and FY 2009 Appropriations**

<u>Ongoing - Distributed to Schools</u>	<u>FY 2008</u>	<u>FY 2009</u>
K-12 Base Aid	28,879,785	39,261,435
DSA		
GTB-GF		
Special Ed	1,086,013	2,299,042
Per Educator	13,516,774	13,648,447
Indian Education for All	(30,490)	(70,170)
Close Achievement Gap	14,000	2,000
Transportation	100,000	200,000
Facility Reimbursement	1,097,744	1,097,744
Instate Treatment	(1)	(1)
Adult Basic Ed	250,000	250,000
School food	2	2
HB 124 Block Grants	384,511	771,954
Indian Education for All	(550,000)	(550,000)
State Tuition Payments	270,138	270,138
Timber for Technology	2,100,000	2,700,000
GTB-Retirement	(582,330)	533,811
Other (District Audit Oversight)	22,080	27,380
Total Appropriation	<u>\$46,558,226</u>	<u>\$60,441,782</u>

<u>OTO - Distributed to Schools</u>	<u>FY 2008</u>	<u>FY 2009</u>
Indian Education for All	1,500,000	1,500,000
Full-Time Kindergarten Startup	10,000,000	-
Gifted & Talented	1,000,000	1,000,000
Capital Investment & Deferred Maintenance	30,000,000	-
Total Appropriation	<u>\$42,500,000</u>	<u>\$2,500,000</u>

<u>Ongoing - Office of Public Instruction</u>	<u>FY 2008</u>	<u>FY 2009</u>
Office of Public Instruction	306,690	517,084
K-12 Education Data Systems	1,379,314	1,104,633
Assistance to schools for data system connectivity	487,500	487,500
Indian Education for All and Indian Achievement Gap	509,928	510,147
Statewide Student Assessment (NRT)	27,500	42,500
Curriculum Specialists (6.0 FTE)	959,700	924,816
Hearing Conservation Program	28,007	49,990
Total	<u>\$3,698,639</u>	<u>\$3,636,670</u>

<u>OTO - Office of Public Instruction</u>	<u>FY 2008</u>	<u>FY 2009</u>
Tribal History Project	237,500	237,500
Total Appropriation	<u>\$237,500</u>	<u>\$237,500</u>
Transfer to Facilities Improvement Account (not distributed-reserved)	17,581,718	23,174,302

<u>Ongoing - Other Agencies</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>Teachers Retirement System</u>		
Retirement Rate Increase - Employer contribution for schools	13,200,000	27,000,000
<u>Officer of the Commissioner of Higher Education</u>		
Quality Educator Loan Assistance	350,000	700,000
<u>School for Deaf & Blind</u>		
Outreach (HB438 & SB2)	227,663	221,509
Retention/Recruitment of Highly Qualified Staff	213,857	265,050
Quality Educator	20,727	20,727
Retirement Employer Contributions (HB 131)	34,875	36,275
<u>Arts Council</u>		
Arts Education	10,000	12,500
<u>Corrections (Pine Hills & Riverside)</u>		
Quality Educator	15,406	15,406
Indian Education for All	22,742	22,865
Total Appropriation	<u>\$14,095,270</u>	<u>\$28,294,332</u>

<u>OTO - Other Agencies</u>		
<u>Teachers Retirement System</u>		
Retirement - 2007 Legislature appropriated \$50 million OTO to TRS for FY 2007, so is included in this table.		





**“QUALITY EDUCATION”
AS DEFINED IN § 20-9-309(2), MCA,**

“BASIC SYSTEM OF FREE QUALITY PUBLIC ELEMENTARY AND SECONDARY SCHOOLS”

Element

Funding Source (ongoing unless otherwise stated): Black items refer to 2005 regular session; **red items refer to 2005 special session**; *green items (italicized) refer to 2007 regular session*; *blue items (italicized) refer to 2007 special session*

Accreditation standards 20-9-309(2)(a)	Most funding sources
Special needs, 20-9-309(2)(b), including	
Child with disability, as defined in 20-7-401 – 20-9-309(2)(b)(i)	State and federal special education line-item appropriations (state funding includes inflation plus) Title I funding Medicaid funding Instate treatment Other special grants At-risk component of SB 1 <i>Inflationary increases to state special education</i>
At-risk 20-9-309(2)(b)(ii)	Title I Medicaid funding Instate treatment Title IV Drug Free and 21 st Century Schools Federal reading excellence funding Title X Education of Homeless Children Federal and state school lunch programs At-risk component of SB 1 Closing American Indian achievement gap component of SB 1 <i>Funding for OPI Indian achievement gap analyst</i> <i>Full-time kindergarten and start up costs</i>
Limited English proficiency 20-9-309(2)(b)(iii)	Targeted federal funding - Title III At-risk component of SB 1 Closing American Indian achievement gap component of SB 1 (approximately 83% of students in Montana with limited English proficiency are American Indians) <i>Funding for OPI Indian achievement gap analyst</i> <i>Full-time kindergarten and start up costs</i>
Qualified for services under	Medicaid

	29 U.S.C. 794 20-9-309(2)(b)(iv)	Instate treatment One-time-only deferred maintenance in HB 1 <i>One-time-only capital investment and deferred maintenance</i>
	Gifted and talented children, as defined in 20-7-901 – 20-9-309(2)(b)(v)	One-time-only gifted and talented line-item approp. <i>Full-time kindergarten and start up costs</i> <i>One-time-only gifted and talented line item approp.</i>
Indian Education for All 20-9-309(2)(c)		Ongoing and one-time-only appropriations Funding for tribal histories project Indian education for all component of SB 1 One-time-only appropriation in HB 1 <i>Funding for professional development for Indian education for all</i> <i>Funding to complete tribal histories project</i> <i>One-time-only appropriation</i>
Qualified and effective teachers, administrators, and staff 20-9-309(2)(d)		Basic entitlement and per ANB entitlement Federal Title II teacher and principal training Three year averaging of per ANB entitlement (which helps address fixed costs) Permanent increases to basic entitlement and per ANB entitlement Permanent three year averaging, SB 1 Quality educator component of SB 1 One-time-only infusion into TRS and PERS to attract and retain qualified teachers, HB 1 <i>One-time-only infusion into TRS , HB 63</i> <i>Statutory appropriation to fund supplemental state contribution to teachers' retirement fund, HB 63</i> <i>Inflationary increases to basic entitlement and per-ANB entitlement, SB 2</i> <i>51% increase to quality educator component, SB 2</i> <i>Expansion of professions included within definition of quality educator, SB 2</i> <i>Quality educator loan assistance program, SB 2</i> <i>Curriculum specialists, HB 2</i> <i>Funding to OPI to hire an American Indian achievement gap analyst, HB 2</i> <i>Professional development funds for Indian education for all, HB 2</i>
Facilities and distance learning technologies to meet accreditation standards 20-9-309(2)(e)		Operation and maintenance paid out of basic and per ANB entitlements Facility bond money available Federal Titles V and VI, Innovative Education and Rural Federal emergency school renovations One-time-only and ongoing facility reimbursement Quality educator component, SB 1

	<p>One-time-only facility study to assess needs, HB 1 (anticipate this will be phased in, long-term) One-time-only weatherization or deferred maintenance One-time-only for energy cost relief, including utilities <i>School facilities reimbursement, HB 2</i> <i>Creation of facility improvement account</i> <i>One-time-only capital investment and deferred maintenance</i></p>
<p>Transportation 20-9-309(2)(f)</p>	<p>Transportation line item approp. One-time-only for energy cost relief may be used for transportation costs, HB 1 Increased statutory reimbursement rates for individual transportation of students, SB 1 <i>Revise moratorium on creation of new school districts, SB 291</i> <i>Transportation line item approp.</i></p>
<p>Tracking student achievement 20-9-309(2)(g)</p>	<p>One-time-only approp. to OPI Accountability features of at-risk and closing Indian achievement gap components of SB 1 <i>Education data systems line item approp.</i></p>
<p>Local control 20-9-309(2)(h)</p>	<p>To the maximum extent possible <i>Revise moratorium on creation of new school districts, SB 291</i> <i>Full-time kindergarten and start up costs, HB 2 and SB 2</i> <i>Increased guaranteed tax base (GTB) aid, SB 2 and HB 2</i></p>

	<ul style="list-style-type: none"> • <i>Full-time kindergarten and start up costs, HB 2 and SB 2</i> • <i>51% increase to quality educator component, SB 2</i> • <i>Quality educator loan assistance program</i> • <i>Inflationary increases to basic entitlement and per ANB entitlement</i> • <i>Increased guaranteed tax base aid, SB 2</i> • <i>Transportation line item approp, HB 2</i> • <i>Curriculum specialists, HB 2</i> • <i>One-time-only capital investment and deferred maintenance, H</i>
<p>Needs of urban schools with high population density 20-9-309(3)(c)</p>	<ul style="list-style-type: none"> • Per ANB entitlement • On-going quality educator component of SB 1 • Permanent entitlement increases in SB 1 • <i>Full-time kindergarten and start up costs, HB 2 and SB 2</i> • <i>51% increase to quality educator component, SB 2</i> • <i>Inflationary increases to basic entitlement and per ANB entitlement</i> • <i>Increased guaranteed tax base aid, SB 2</i> • <i>Curriculum specialists, HB 2</i> • <i>One-time-only capital investment and deferred maintenance, H</i>
<p>Needs of students with special needs, such as a child with a disability, an at-risk student, a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794, and gifted and talented children 20-9-309(3)(d)</p>	<ul style="list-style-type: none"> • State and federal special education line-item appropriations • Title I funding • Medicaid funding • Instate treatment • Other special grants • Title IV Drug Free and 21st Century Schools • Federal reading excellence funding • Title X Education of Homeless Children • Federal and state school lunch programs • Targeted federal funding - Title III • Gifted and talented • At-risk component of SB 1 • Closing American Indian achievement gap component of SB 1 • One-time-only deferred maintenance in HB 1 • <i>Full-time kindergarten and start up costs, HB 2 and SB 2</i> • <i>Expansion of professions included within definition of quality educator to include licensed psychologists and licensed social workers, SB 2</i> • <i>Funding for OPI Indian achievement gap analyst, HB 2</i> • <i>Adult education line item approp., HB 2</i> • <i>Inflationary increases to state special education</i> • <i>One-time-only gifted and talented line item approp.</i>
<p>Needs of American Indian students 20-9-309(3)(e)</p>	<ul style="list-style-type: none"> • One-time-only and ongoing appropriations for Indian Education for • Tribal histories project • At-risk component of SB 1 • Closing American Indian achievement gap component of SB 1 • Indian Education for All component of SB 1 • One-time-only Indian Education for All appropriation in HB 1

	<ul style="list-style-type: none"> · <i>Full-time kindergarten and start up costs, HB 2 and SB 2</i> · <i>Funding for OPI Indian achievement gap analyst</i> · <i>Professional development funds for Indian Education for All</i> · <i>One-time-only Indian Education for All approp.</i> · <i>Funding to complete tribal histories project</i>
<p>Ability of school districts to attract and retain qualified educators and other personnel 20-9-309(3)(f)</p>	<ul style="list-style-type: none"> · Basic entitlement and per ANB entitlement · Federal Title II teacher and principal training · Permanent entitlement increases · Permanent three year averaging (which helps address fixed costs in SB 1) · Quality educator component of SB 1 · One-time-only infusion into TRS and PERS to attract and retain qualified teachers in HB 1 · <i>One-time-only infusion into TRS, HB 63</i> · <i>Supplemental state contribution to teachers' retirement fund, paid for from statutory appropriation, HB 63</i> · 51% increase to quality educator component, SB 2 · Expansion of professions included within definition of quality educator to include licensed psychologists and licensed social workers, SB 2 · Quality educator loan assistance program · Inflationary increases to basic entitlement and per ANB entitlement · Curriculum specialists, HB 2



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Quality Schools - 2009 Biennium
Statutory Checklist

MCA	Component
	<u>Ongoing to K-12 Schools</u>
	Full-time Kindergarten
<input checked="" type="checkbox"/>	20-9-309(1) & (4)(b)(vi) Distribute to school in equitable manner
<input checked="" type="checkbox"/>	20-9-309 (2)(b) & (3)(d) Students with special needs
<input checked="" type="checkbox"/>	20-9-309(2)(h) Local control
<input checked="" type="checkbox"/>	20-9-309(3)(a) The number of students in a district
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
<input checked="" type="checkbox"/>	20-9-309(3)(e) The needs of American Indian students
	Inflation Increases (Entitlements, Sp Ed, Middle Schl Entitle)
	Property Tax Relief (increase GTB)
<input checked="" type="checkbox"/>	20-9-309(1) & (4)(b)(vi) Distribute to school in equitable manner
<input checked="" type="checkbox"/>	20-9-309 (2)(b) & (3)(d) Students with special needs
<input checked="" type="checkbox"/>	20-9-309(2)(d) & (3)(f) Attract and retain qualified educators and other personnel
<input checked="" type="checkbox"/>	20-9-309(2)(h) Local control
<input checked="" type="checkbox"/>	20-9-309(3)(a) The number of students in a district
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
<input checked="" type="checkbox"/>	20-9-309(4)(b)(iii) Annual inflationary adjustments
	Increase Quality Educator Component
<input checked="" type="checkbox"/>	20-9-309(1) & (4)(b)(vi) Distribute to school in equitable manner
<input checked="" type="checkbox"/>	20-9-309(2)(h) Local control
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
<input checked="" type="checkbox"/>	20-9-309(2)(d) & (3)(f) Attract and retain qualified educators and other personnel
	Quality Educator Loan Assistance Program
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (d) Qualified and effective teachers and staff to implement standards
<input checked="" type="checkbox"/>	20-9-309(2)(d) & (3)(f) Attract and retain qualified educators and other personnel
<input checked="" type="checkbox"/>	20-9-309(3)(b) Isolated Schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Urban Schools with high population density
	Adult Education
<input checked="" type="checkbox"/>	20-9-309 (2)(b) & (3)(d) Students with special needs
	Pupil Transportation
<input checked="" type="checkbox"/>	20-9-309(2)(f) Transportation of students
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
	School Facilities Reimbursement
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (e) Facilities associated with meeting accreditation standards
	Curriculum Specialists
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (d) Specified accreditation standards
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
<input checked="" type="checkbox"/>	20-9-309(3)(f) Attract and retain qualified educators and other personnel
	Indian Education for All
<input checked="" type="checkbox"/>	20-9-309(2)(c) Article X, section 1(2)
<input checked="" type="checkbox"/>	20-9-309(3)(e) The needs of American Indian students
	Retirement Rate Increase (School Employees)
<input checked="" type="checkbox"/>	20-9-309(3)(f) Attract and retain qualified educators and other personnel
	K-12 Information Data System
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (e) Facilities with meeting accreditation standards
<input checked="" type="checkbox"/>	20-9-309(2)(g) Procedure to asses and track student achievement
	Revise Moratorium on creation of new school districts
<input checked="" type="checkbox"/>	20-9-309(2)(f) Transportation of students
<input checked="" type="checkbox"/>	20-9-309(2)(h) Preservation of local control
<input checked="" type="checkbox"/>	20-9-309(3)(a) & (b) The number of students in a district
	<u>One Time Only to K-12 Schools</u>
	Kindergarten Startup
<input checked="" type="checkbox"/>	20-9-309(1) & (4)(b)(vi) Distribute to school in equitable manner
<input checked="" type="checkbox"/>	20-9-309 (2)(b) & (3)(d) Students with special needs
<input checked="" type="checkbox"/>	20-9-309(2)(h) Local control
<input checked="" type="checkbox"/>	20-9-309(3)(a) The number of students in a district
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
<input checked="" type="checkbox"/>	20-9-309(3)(e) The needs of American Indian students
	School Facility Improvement Account
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (e) Facilities with meeting accreditation standards
<input checked="" type="checkbox"/>	20-9-309(3)(a) The numbers of students in a district
	Gifted and Talented
<input checked="" type="checkbox"/>	20-9-309 (2)(b) & (3)(d) Students with special needs
	Indian Education for All (to schools)
<input checked="" type="checkbox"/>	20-9-309(2)(c) Article X, section 1(2)
<input checked="" type="checkbox"/>	20-9-309(3)(e) The needs of American Indian students
	Indian Education for All - Tribal History (OTO)
<input checked="" type="checkbox"/>	20-9-309(2)(c) Article X, section 1(2)
<input checked="" type="checkbox"/>	20-9-309(3)(e) The needs of American Indian students
	Capital Investment and Deferred Maintenance
<input checked="" type="checkbox"/>	20-9-309(2)(a) & (e) Facilities with meeting accreditation standards
<input checked="" type="checkbox"/>	20-9-309(2)(h) Preservation of local control
<input checked="" type="checkbox"/>	20-9-309(3)(a) The number of students in a district
<input checked="" type="checkbox"/>	20-9-309(3)(b) Needs of isolated schools with low population density
<input checked="" type="checkbox"/>	20-9-309(3)(c) Needs of urban schools with high population density
	Teacher's retirement system
<input checked="" type="checkbox"/>	20-9-309(2)(d) Qualified and effective teachers or administrators and qualified staff
<input checked="" type="checkbox"/>	20-9-309(3)(f) Attract and retain qualified educators and other personnel