

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

#### SELECT COMMITTEE ON EDUCATION FUNDING

Call to Order: By Chairman Ray Peck, on June 1, 1989, at 1:05 p.m.

#### ROLL CALL

Members Present: All members were present with Representatives Cobb, Darko, Driscoll, and Good joining the committee.

Members Excused: None.

Members Absent: None.

Staff Present: Madalyn Quinlan, Legislative Fiscal Analyst; Andrea Merrill, Legislative Council; Dave Cogley, Legislative Council; Jeanne Flynn, Committee Secretary

Announcements/Discussion: Chairman Peck welcomed the new members. He stated that the House Select Committee on Education Funding will meet jointly with the Senate Subcommittee on Education.

Chairman Peck said that the pre-session work of this Committee will be to deal with the equalization matter of the public school system. Once the Special Session starts on June 19, 1989, the standing Education and Cultural Resources Committee will hear the bills.

He said that although this is not a hearing the Committee will precede in that fashion.

The Committee recessed at 1:20 p.m. and reconvened with the Senate Select Subcommittee at 2:05 p.m.

#### HEARING ON EQUALIZED SCHOOL FUNDING

Dr. Ken Nordtvedt, Director of the Department of Revenue discussed Governor Stephens' proposal: A Proposal to Equalize School Funding in Montana. (See Exhibits 1 and 2).

Chairman Peck asked Dr. Nordtvedt if the University's \$16 million is to be in the formula and increased on a per student basis? Dr. Nordtvedt stated that there are no specifics on them.

Rep. Eudaily asked Dr. Nordtvedt if he felt that the caps are necessary and if the Legislature takes the extra money from the wealthy districts are the caps needed? Dr. Nordtvedt stated that the basic reasons for caps is that the Court

decision means that not only do we have to get to an equalization level that is acceptable, but we have to keep it at a level that is acceptable in future years.

- Rep. Harrington asked Dr. Nordtvedt if the Legislature does not accept a 3 percent sales tax, will the schools not be funded? Dr. Nordtvedt stated that it brings on the essential difference between the level of the state foundation support and the function of the caps. The amount of money that is spent for education will basically be determined by what the school districts choose to spend up to the caps. If the caps allow for an inflationary growth, spending budgets will probably go up.
- Rep. Kadas asked Dr. Nordtvedt what is the Administration's acceptable level of equalization? Dr. Nordtvedt stated that if by some chance you could put all school districts on a level playing field, then probably there would not have been a decision going the way it had. It highly depends on the inner action of how much you can legalize wealth disparity and how much you can raise schedules. The combination of reaching about 80% of basic funding categories, along with cutting wealth disparity in half, would bring our system in to compliance with an equalized system.
- Rep. Kadas asked Dr. Nordtvedt if he had run the unenhanced proposal against any of the PL 874 money? Dr. Nordtvedt stated yes, it will meet the Federal Wealth Test, but it would not meet the other tests.
- Rep. Kadas asked Dr. Nordtvedt if that is a reasonable goal for equalization? Dr. Nordtvedt stated that they feel that the legislature ought to come to a consensus with a general sales tax devoted primarily to enhance equalization. He stated that if it does not occur, Legislature will not be able to walk out of here on July 1, 1989, with a plan to equalize with the given tax base because Legislature is under mandate from the Court to do so.
- Rep. Kadas asked Dr. Nordtvedt if the Administration is committed to at least equalizing the extent of the PL 874 category? Dr. Nordtvedt stated that was the target.
- Rep. Kadas asked Dr. Nordtvedt if the 10 mills would increase the tax on resources by \$4.1 million, what tax would be included in that number? Dr. Nordtvedt said that is just on classes one and two. The whole taxable value would be \$10 million per year.
- Rep. Kadas asked Dr. Nordtvedt what mechanism is proposed for neutralizing the impact on proceeds? Dr. Nordtvedt stated that there are different methods people are working on. Severance tax would be the best way to go, but the Administration is going to look at any reasonable concepts of how to change the tax system to keep it a relatively

neutral situation.

Sen. Van Valkenburg asked Dr. Nordtvedt if the basic equalization plan that was presented was the Administration's recommended plan? Dr. Nordtvedt stated that was correct.

Sen. Van Valkenburg asked Dr. Nordtvedt if Legislature is to assume that the enhanced proposal of the 3 percent sales tax is the Administration's recommended proposal? Dr. Nordtvedt replied that it is.

Sen. Van Valkenburg asked Dr. Nordtvedt if he said that the theory with respect to the formation of this proposal was to the effect that if you could get the school districts on an equal tax base the lawsuit would not have been successful, therefore, Legislature is to assume that it would not be brought back in the future as long as there is an fairly equal tax base out there with respect to the local portion of the funding? Dr. Nordtvedt stated that the one problem is that local property tax does not go back to become a very astronomical fraction. To keep that fraction under control and have relatively comparable wealth of school districts, it would not be dropped as far as a constitutional challenge.

Sen. Van Valkenburg asked Dr. Nordtvedt if he is correct in respect to the proposal that the local funding portion be dependant upon the passage of voted levies? Dr. Nordtvedt stated that it could to a degree, if Legislature cannot fund at 100 percent of education at the state level there would still be the local levies.

Sen. Van Valkenburg asked Dr. Nordtvedt if he expects the state to receive approximately \$60 million and to recapture money as a result of the levies that will be voted on by the 30 percent, who will have their taxes increased? Dr. Nordtvedt stated that the \$60 million from the tax increase is not correct. The rest is correct in the same sense that it is expected that the personal income tax collection next year should be about \$260 million. He stated that they are counting on the people in Montana working next year somewhat like last year so their income tax should be the same.

Rep. Schye asked Dr. Nordtvedt why he did not include retirement? Dr. Nordtvedt stated that the Governor's Office believes, as they did in the regular session, that the prime benefits are part of the wage cost of the school. He stated that they have never received any argument by the state between wages and the school budget, and the benefits taken from those wages. Therefore, they belong in the general fund. They should be funded by the equalization schedules and should not have any special treatment. He stated that it would be completely countered to the whole essence of the Supreme Court decision that it is safe to reimburse them at 100 percent and over-subsidize high spending schools and under-

subsidize low spending schools.

Rep. Schye asked Dr. Nordtvedt if the basic proposal is actually still dealing with I-105, and does the Administration's proposal do away with I-105? Dr. Nordtvedt stated that with regards to school funding, yes.

Rep. Schye asked Dr. Nordtvedt if the sales tax proposal includes a vote of the people or will it be voted on strictly by the Legislature? Dr. Nordtvedt stated that the Administration's preferred approach is that whatever the Legislature wants to do let them, to vote aye or nay on the sales tax.

Sen. Reagan asked Dr. Nordtvedt if districts will be allowed a small percent increase? Dr. Nordtvedt said yes.

Sen. Reagan asked Dr. Nordtvedt if the poor districts could spend more, are you making a basic assumption that the poor districts will spend more than its 4 percent? Dr. Nordtvedt stated that the concept of equalization is slightly different. Equalization of circumstance, not necessarily equalization of final result. The levy changes experienced by schools is, the poor low spending schools get the massive mill reductions.

Rep. Darko stated that the medium spending schools will have a 17 mill increase where with SB 203 there would be an 87 mill reduction and will lose under this proposal. Dr. Nordtvedt stated that there is no comparison with the mill levy changes and the basic plan of SB 203. The main reason is that SB 203 had a source of revenue of about \$7 million compared to enhancing the schedules without specifying where that revenue would come from. He stated that a better comparison could be made by comparing SB 203 with the Enhanced Appendix.

Sen. Hammond asked Dr. Nordtvedt about the 20/80 split and if he sees a situation where those people who have BLM land, game reserves, state lands, etc, will some of those be dropped from a \$9 million valuation to \$2 million valuation, and if he saw them not voting special levies because they receive such a small portion? Dr. Nordtvedt stated that it is a mistake that this money comes from a few select rich districts. The \$800 million taxable values out of the \$1.9 million is accounted for in those classes that are shared so that money is coming from every school district in the state. He stated that more is coming from some districts and less from others.

Rep. Kadas asked Dr. Nordtvedt about the \$60 million. Is it based on the assumption that each district will try to obtain the same number of dollars as they received in FY 1988? Dr. Nordtvedt stated that this calculation was based on them reproducing the same figures.

Rep. Kadas asked Dr. Nordtvedt if the mandatory level in the retirement proposal is also created as an 80/20 split or is that all? Dr. Nordtvedt stated that everything is split accept the debt and capital levy.

Rep. Kadas asked Dr. Nordtvedt if there are 20 percent caps on the schedules or is it 4 percent of the previous years budget, and is that 4 percent just for FY 1991 or is that 4 percent each year? Dr. Nordtvedt stated that each Legislature would redetermine that percentage in light of financial positions.

Madalyn Quinlan, Legislative Fiscal Analyst's office discussed Governor Stephens' proposal by pointing out some of the concerns that she has. (See Exhibit 3).

Rep. Kadas asked Ms. Quinlan how she determined the \$25 million on the non-tax revenue sources? Ms. Quinlan stated when a district sets their budget, the first calculation is how much will they receive from the scheduled amounts from the state. She stated that the next step is to look at the non-revenue sources.

Sen. Van Valkenburg asked Dr. Nordtvedt if the Administration was in favor of a revenue or tax initial situation? Dr. Nordtvedt stated that he thought they did in January, but as the months progressed the Court decision came along and the Administration had to start talking about time frames.

Sen. Van Valkenburg asked Dr. Nordtvedt if the credit for the extraction industry will reduce the expected revenue and fund the money that was adopted in the regular session by the Governor? Dr. Nordtvedt said no. The computer printouts that the Committee has before them sums up all the property taxes being paid by the extracted industries from the state mill levy and local mill levy level and assumes that same total is the amount of dollars met and is available to the foundation program.

Sen. Van Valkenburg asked Dr. Nordtvedt if there would be any loss from the general fund or the earmarked funds from these credits if transferred into other sources of revenue for the foundation program and will this effect the general fund? Dr. Nordtvedt said the bottom line is that some of the foundation problem in the general fund will be mutually taken into account.

Pat Melby, Attorney for Plaintiff School Districts, discussed some concerns of the Montana Education Community. (See Exhibit 4.)

Rep. Harrington asked Dr. Nordtvedt that under this plan, will the amount that is needed be \$3 million short? Dr. Nordtvedt stated that the caps will allow the schools to spend more money than they are spending this year by some

kind of inflationary growth. He stated that this will give the schools access to more money from the state. The caps will allow every school district more than what they have been spending in the previous year.

Rep. Driscoll asked Dr. Nordtvedt about the \$120 million sales tax proposal for property tax, how much of that will go to residential housing? Dr. Nordtvedt stated that the \$120 million sales tax from the Foundation Program will fund the schedules to the extent that it will reduce the local property tax levies. He stated that there is no guarantee how much of that would end up as property tax levies and how much would expand with higher spending.

Sen. Brown asked Dr. Nordtvedt to clarify how the proposal treats special education funding? Dr. Nordtvedt stated that outside of the foundation schedule system, the state would continue to fund special education.

Rep. Kadas asked Dr. Nordtvedt in regards to special education, is the amount of the \$33 million counted as part of the foundation payment, and the caps calculated above that amount? Dr. Nordtvedt stated that to fully fund education at the state level and essentially manage the special education would not be appropriate to be given caps.

Wayne Phillips, Senior Administrative Assistant to the Governor, discussed Governor Stephen's proposal; A Proposal to define Basic Education and implement the New Century Plan for accountability and quality in Education. (See Exhibit 5.)

Rep. Eudaily asked Mr. Phillips if the Governor's proposal that Dr. Nordtvedt presented with no new revenue will fully fund the definition of basic education? Mr. Phillips said one of the reasons why the proposed definition, was to find where the funding is. He stated that he did not have an accurate answer at this time.

Rep. Eudaily asked Mr. Phillips if there is any doubt, how is the state meeting the Court mandate by saying this is the basic definition of education knowing that it is not being met? Mr. Phillips stated that the reason the Governor's office wanted to take a look at this was to see if they could bring that match together, than go to the Supreme Court and say this is the definition that is being planned.

Rep. Eudaily asked Mr. Phillips if it was his belief that the current level of spending fully funds the accreditation standards? Mr. Phillips said yes, we believe that.

Rep. Peck asked Mr. Phillips if the phrase beginning with "the 90-91 school year transportation to and from public schools as provided by the Legislature", does that make it a moveable portion of the definition so whatever the Legislature does in terms of this will establish that

HOUSE SELECT COMMITTEE ON EDUCATION FUNDING

June 1, 1989

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portion of the definition? Mr. Phillips said yes. The issue really is how can definition change the depth to new situations if the Legislature had been cut.

Rep. Peck asked Mr. Phillips if they planned to report how many days each person was on the job and how many they were absent? Mr. Phillips stated that the proposal would be to do it on a school basis and the overall attendance rates would be determined by that.

Rep. Peck asked Mr. Phillips if there was anything in this plan that the Governor's office will not propose in the bill that relates to funding in terms of directing resources? Mr. Phillips stated that first of all they want to obtain the information and then identify the problems they would want referenced.

Rep. Schye asked Mr. Phillips if he would look at the liability in the alternative certification program? Mr. Phillips replied that is a good suggestion. He stated that it is their understanding from other states that this has not been a problem.

Chairman Peck announced that there will be a meeting of the standing Education Committee some time before the Special Session started.

There being no further business the Committee was adjourned.

ADJOURNMENT

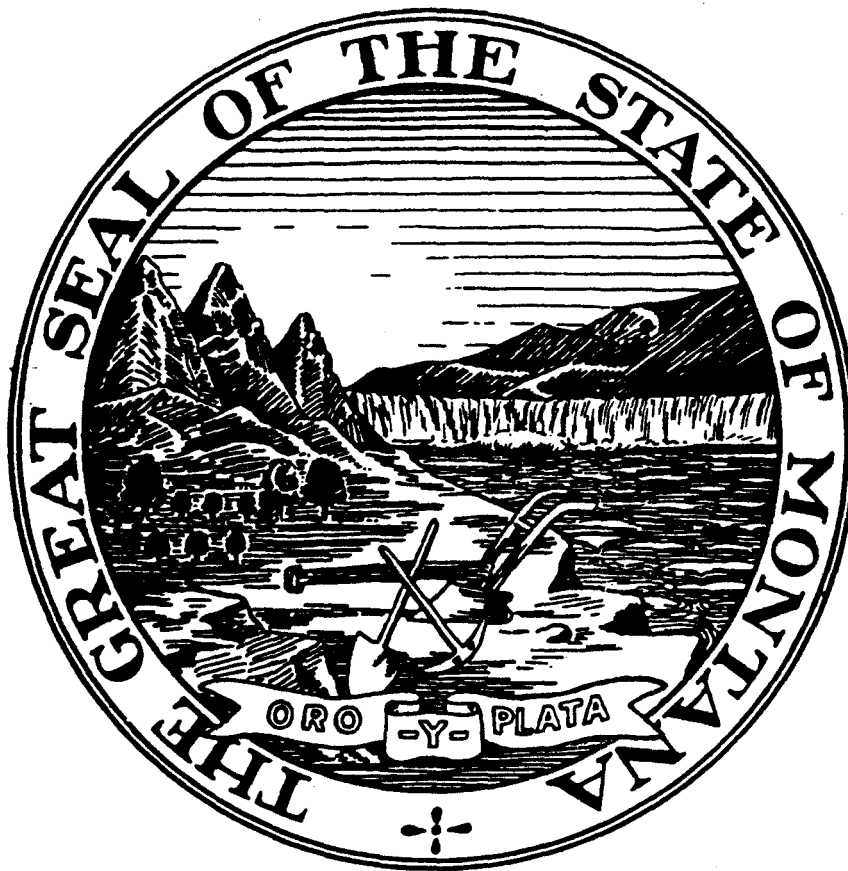
Adjournment At: 5:40 p.m.

  
REP. RAY PECK, Chairman

RP/jf

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EXHIBIT 1  
DATE June 1, 1989  
HB Equalized  
School Funding



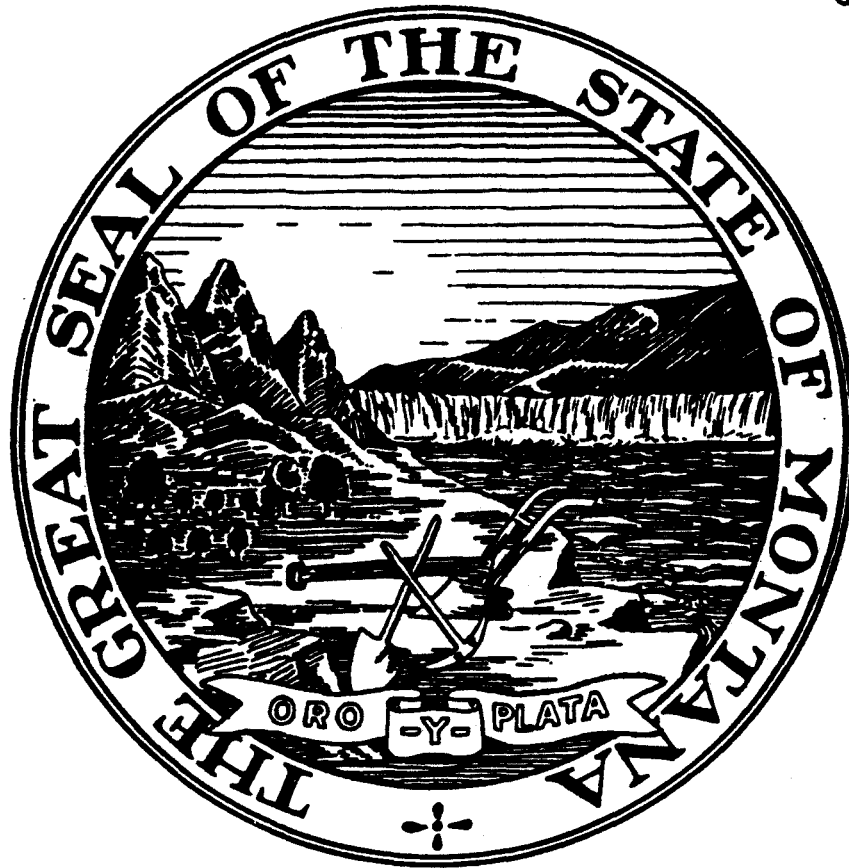
# A Proposal to Equalize School Funding in Montana

## Appendices

May 1989



EXHIBIT 2 2  
DATE June 1, 1989  
HB Equalized School  
Funding

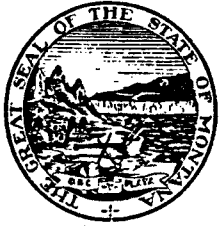


# A Proposal to Equalize School Funding in Montana

Positions and Recommendations  
Submitted to the June Special Session  
of the 51st Legislature

May 1989

Stan Stephens, Governor



JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA  
*Office of the Legislative Fiscal Analyst*  
STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

EXHIBIT 3 p.1  
DATE June 1, 1989  
HB Equalized  
School Funding

June 1, 1989

TO: Representative Ray Peck, Chairman  
House Select Committee on Education

FROM: Madalyn Quinlan, Associate Fiscal Analyst *MQ*

SUBJECT: Governor's Proposal on Public School Funding

I would like to bring to your attention several concerns that I have about the Governor's public school funding proposal; these concerns need to be resolved before a district-by-district analysis can be presented to the legislature by our office.

1) The executive proposal, "A Proposal to Equalize School Funding in Montana," which was distributed on May 24, 1989 stated in Appendix B that the shared classes of property included classes 1, 2, 5, 7, 8, 10, 11, 15, and 17. The shared classes are those classes for which 80 percent of the school taxes, excluding debt service and capital outlay, will be recaptured by the state. The Appendices distributed with the proposal on June 1, 1989 do not include class 5 property in the shared classes.

Class 5 (new industry and pollution control) is a relatively small property class having a taxable valuation of \$27.1 million in tax year 1988, which represents 1.4 percent of the statewide valuation. However, certain districts will see major shifts in their "equalized taxable valuation" depending on whether class 5 property is equalized or not. For example, Colstrip High School district would have an equalized taxable valuation of

\$43.2 million if class 5 is equalized and \$51.3 million if it is not equalized. Other school districts that have significant quantities of class 5 property are Colstrip elementary, Columbia Falls elementary and high school, Sidney elementary and high school, and Butte elementary and high school. Most districts in the state have some amount of class 5 property.

This inconsistency in the executive proposal needs to be clarified.

2) The executive has made various statements about the foundation schedule increases that will be provided under the Governor's proposal. The May 24th document states that the schedules will be increased by at least 40 percent. The appendices distributed on June 1 show a 35.47 percent increase. These schedule increases need to be explicitly stated in order to run a district-by-district analysis.

3) Our office has run some preliminary district-by-district calculations based on a 35 percent increase in the schedules. The level of recapture from local levies varies substantially according to the assumptions made about the level of non-tax revenues available to local districts. If the same non-tax revenue sources (motor vehicle taxes, corporate license taxes paid by financial institutions, interest on investments, Public Law 874 funds, cash reappropriated from reserves, new production taxes on oil and gas production) are available to districts that were available to fund fiscal 1989 budgets, then state recapture on local levies is more likely to be in the \$25-30 million range than the \$60 million estimated in the Governor's proposal. While the level of non-tax revenue available to any given district may vary substantially from year-to-year, overall these funds have been a significant revenue source statewide and have provided at least \$60 million to fund school district budgets statewide in fiscal years 1987, 1988, and 1989. These revenue

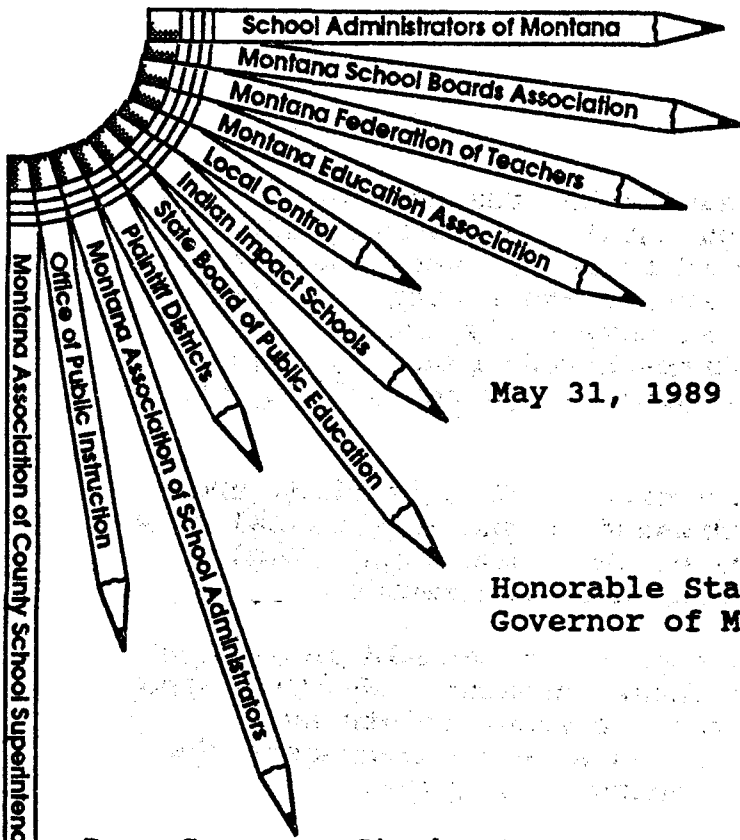
sources cannot be overlooked, and so far there is no indication that the executive plans to recapture on revenues other than those property taxes raised directly by mill levies.

4) Another factor which makes the level of recapture difficult to project is the likelihood that the districts that are high spending and "property wealthy" districts will increase their mill levies in order to spend at their fiscal 1988 expenditure levels, especially when a portion of those local levies will be recaptured by the state.

5) The executive has yet to propose a mechanism for making its proposal revenue neutral for the natural resource industries as stated in the May 24th document. How will the tax credit/reduction for these industries be calculated? What mechanism (i.e., severance tax, corporate license tax, property tax) will be used to provide the tax credit?

6) It is unclear as to whether the executive proposal anticipates that Public Law 874 dollars will be available for equalization in fiscal 1991. It is unlikely that the federal Department of Education will approve the equalization of these funds in Montana for fiscal 1991.

EXHIBIT 14  
DATE June 1, 1989  
HB Equalized School  
Funding



May 31, 1989

Honorable Stan Stephens  
Governor of Montana

Dear Governor Stephens:

We appreciate the opportunity to meet with you to hear the explanation of your proposal for school funding and equalization.

The educational forum has the following concerns with the proposal in your report of May 1989:

- I. We are concerned that the level of equalization under the proposal is inadequate to meet a court test. The report states that 87% of funds will be equalized (page 2). We believe that the proposal will equalize less than 75% of school funding. We also believe that Federal Impact Aid cannot be incorporated in the proposal, because it will not meet the federal test.
- II. We are concerned that the proposal will reduce funding available to local school districts. Every school district would have to vote the maximum allowable mill levy to achieve the 4% increase over 1988 funding levels permitted under the proposal. The 4% inflation permitted, does not approach the actual inflation rate for the three year period 1988-1991. The actual rate will be closer to 15%. More importantly many districts will not vote the maximum levies because of disincentives built into the proposal.
- III. We are concerned that the reliance on local voted property taxes is excessive under the proposal. This concerns us because of the strong disincentive for voters to approve a voted levy when a significant portion of the levy will not be used in the local community.

The Montana Education Community  
1 S. Montana, Helena, MT 59601

May 31, 1989  
Governor Stephens  
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- IV. We are concerned about the inequitable treatment of various taxpayers. We note that agricultural, residential, and business taxpayers are projected to pay a statewide levy of 85 mills, but the energy industries are frozen in effect at 55 mills. In addition, in those communities with significant percentages of "state-shared" property, the residential, agricultural, and business property taxpayers will be adversely affected.
- V. The "New Century Plan" needs a great deal more study and public input and should be addressed in the 1991 legislative session. We believe the focus of this very short special session must be on school funding and equalization.

Members of the Montana Education Community are available to meet with you and your staff to discuss these concerns. We would also welcome the opportunity to review the consensus points as developed by us. We believe the consensus points represent the most equitable solution to school funding in Montana.

Cordially,

Members of the Montana Education Community

EXHIBIT 5  
DATE June 1, 1989  
HB Equalized School  
Funding

A PROPOSAL TO DEFINE BASIC EDUCATION AND IMPLEMENT THE NEW CENTURY PLAN FOR  
ACCOUNTABILITY AND QUALITY IN EDUCATION

Positions and Recommendations  
Submitted to the June Special Session of the 51st. Legislature  
May 1989



Stan Stephens, Governor

**A Proposal to Define Basic Education and Implement The New Century Plan for  
Accountability and Quality in Education**

**Contents**

- I. Introduction
- II. Proposed definition of a Basic System of free quality public education
- III. Governor's New Century Plan for Accountability and Quality in Education
  - A. Montana School Report Card Program
  - B. Century Incentive Program for Teachers
  - C. Montana Parent's choice in Schools Program
    - (1) Intra and inter district school choice
    - (2) Learning Incentive Program
  - D. GAAP
  - E. Alternative Certification



## I. Introduction

The Montana Supreme Court has dictated a major revolution in school finance. Because any response to the court requires the state to assume a very large share of school spending, it is appropriate to take two necessary steps: define the basic system of quality education that the state will fund and require schools be accountable for the \$600 million they spend each biennium.

Defining a basic system of quality education will allow the legislature and the court to easily assess whether the state is funding its constitutional share of the cost. Furthermore, the equalization of school funding will be made easier when it is clear exactly what education spending must be equalized. With adoption of the New Century Plan for Education, Montana takes its place at the forefront of innovative state efforts to bring accountability and quality to their school spending and education. Adoption of the Montana School Report Cards Program, the Century Incentive Program for Teachers, the Montana Parents Choice in Schools Program, GAAP, Private Contracting and Alternative Certification, parents, students, taxpayers and educators will have assurance that the best education for the money is being offered in Montana.

## II. GOVERNOR'S PROPOSED DEFINITION OF

### A BASIC SYSTEM OF FREE, QUALITY EDUCATION

The Montana Constitution requires that the Legislature provide a basic system of free quality elementary and secondary schools and then fund its share of the cost. The Montana Supreme Court has ruled that the way the state finances that basic system is unconstitutional, therefore, it is essential not only that we revise the funding method but also define the basic system and the state's share of the funding for that system.

I propose that the term "basic system of free quality public school education" include:

- (1) the basic instructional program defined and specified by the Accreditation Standards Adopted by the Board of Public Education as of December 31, 1988, and other legislative instructional mandated programs. (See Attachment "A" for details on those standards.) New standards adopted after that date (Project Excellence) will be included in the definition when a new revenue source is identified.
- (2) salaries and mandated employee benefits for the certified and noncertified employees employed by a district to execute the basic instructional program and any mandated special education program;
- (3) resources and equipment required to provide the basic instructional program, including textbooks, supplies, and media materials;
- (4) beginning with the 1991-92 school year, capital outlay, meaning physical plant maintenance and operation, which includes funds used for the insurance, improvement, equipping, renovating, or repairing of school buildings or school facilities, but does not include funds used for acquisition of land or new construction of school buildings or facilities; and
- (5) beginning with the 1991-92 school year, transportation to and from public schools as provided by the legislature.
- (6) Extra- and co-curricular programs adopted in the general fund budget of a district to enhance pupil utilization of the basic instructional program will be added to the definition upon completion of a review and

report to the 1991 Legislature by an interim legislative committee working in concert with the Board of Public Education.

In the interim, current state general fund support for these programs will be continued.

The state will be required to provide its share of the cost of a basic system of quality education. State payment will be made through the foundation program.

The foundation program payment will finance the general fund of the district. The general fund will include teachers' retirement, comprehensive insurance and the current general fund.

The general fund budget will be financed by appropriated foundation program revenue and may be supplemented by additional local voted levies.

Finally, my legislation will call for an interim legislative subcommittee on education working in concert with the Board of Education to review the impacts of this definition of a basic system of quality education upon school funding and education in Montana. The interim subcommittee will report to the next regular legislature on their findings and make any recommendations necessary to fulfill the intent of this legislation and maintain oversight to assure continued compliance with the Supreme Court decision.

My legislation ensures that the accreditation standards we adopt represent the current education being provided in Montana. Any change in accreditation standards from those defining the basic instructional program as of December 31, 1988, will not be included in the definition unless affirmatively ratified by the legislature.

III. GOVERNOR'S NEW CENTURY PLAN FOR ACCOUNTABILITY AND  
QUALITY IN EDUCATION

A. MONTANA REPORT CARD FOR SCHOOLS PROGRAM

I recommend we require each school to report annually, in a manner discernible to the reader, on the following items. In most respects this requires schools only to report information already gathered in their fall report. OPI will be requested to come up with an acceptable format for statewide dissemination to be used by schools in reporting to parents and the public through press release and submission to the county superintendent and OPI. This requirement excludes special education students and will maintain individual privacy so as not to disclose information identifiable with individual students.

- (1) Student academic performance by grade and subject area.
- (2) Student assessment scores on standardized tests.
- (3) Teacher and administrator attendance.
- (4) Total number of teachers, the ratio to total students and a comparison to the average school of that size/class.
- (5) Total number of administrators, the ratio to total students and to total teachers and a comparison to the average school of that size/class.
- (6) Total number of non-certified employees, the ratio to total students and a comparison to the average school of that size/class.
- (7) Number of student Drop-outs.
- (8) Average class size by grade and subject area.
- (9) Average number of years experience on the school's teaching staff and compared with average size/class.
- (10) Number of teachers assigned to teach outside their major/minor areas of endorsement.
- (11) General fund spending above/below average school of same class/size.

**B. GOVERNOR'S NEW CENTURY INCENTIVE PROGRAM FOR TEACHERS**  
(One Year Pilot Program)

This proposal stimulates better teaching by rewarding motivated teachers with increased compensation. A teacher would be nominated for a Century Incentive Program (CIP) Grant based on demonstrated excellence in and commitment to teaching as measured by classroom performance, creativity, student/teacher relationships and other appropriate criteria.

- (1) Nomination of individual teachers (excluding administrative staff) for a Century Incentive Program Grant can be made by:
  - (A) Majority vote of a school's faculty;
  - (B) The joint approval of a school principal and the district superintendent;
  - (C) Any three parents with children currently or previously taught by the teacher; or
  - (D) A majority of the students of a class taught by that teacher.
- (2) The teacher must then prepare a Century Incentive Program application containing
  - (A) Existing classroom evaluations;
  - (B) Peer review forms completed by a teacher selected by the nominee, a teacher selected by the school principal/administrator and one teacher selected by the school's faculty;
  - (C) Student and parent comments solicited through a general announcement from the school; and
  - (D) Other information related to the nomination criteria or indicative of the individual teacher's excellence in teaching.
- (3) The nominee's CIP Packet will then be reviewed by a panel composed of:
  - (A) A parent selected by the school district's board of trustees;
  - (B) The school's principal/administrator;
  - (C) One teacher selected by the school's faculty; and
  - (D) One student selected by the student council or if none exists, by the board of trustees.

Those Governor's Century Incentive Program nominees selected by the panel and ratified by the school district board of trustees will receive \$2,000 beginning with the school year subsequent to selection.

- (4) Legislation will contain language declaring that Century Incentive Program payments will not be considered salary for purposes of collective bargaining or purposes of tenure statutes or teacher retirement.
- (5) An individual teacher would be eligible for a CIP grant only once every three years.
- (6) OPI will be instructed to draft a form to be completed by a school district upon final nominee selection. The Office of Budget and Program Planning will then administer the issuance of a check.
- (7) With the excellence in teaching that this Century Incentive Program seeks to acknowledge and reward, it is anticipated that 25 percent of teachers would be eligible and \$5,250,000 will be appropriated. Nominations will be due on a specific date and if nominations were to exceed the anticipated numbers the \$2,000 compensation would be lowered proportionately.

C. **MONTANA CHOICE PROGRAM**  
[Two year pilot program]

(1) **INTRADISTRICT AND INTERDISTRICT CHOICE.**

This program will allow parents to choose which school their children attend. "Well-crafted choice programs can become lightning rods for educational equity, opportunity, innovation and excellence. Choice can turn education back into a cooperative enterprise between school, student and teacher." Gov. Thomas Kean, N.J.

Minnesota Governor Rudy Perpich has moved his state into the forefront on education reform. Here are a few of his comments concerning choice:

"I began to realize that one of the most important steps we can take to improve students' academic skills and attitudes and lower the dropout rate is to expand the choices families have to select among our public schools...."

"When Minnesota passed legislation that gave parents school choice, people predicted their schools would close and that there would be a bureaucratic nightmare of red tape. But very few students actually transferred from their school districts."

"It takes a compelling reason for students to leave their friends and neighborhood. Not many do. But under open enrollment, parents and students always have the power and leverage to choose another school. School districts are compelled to create a system of educational excellence because state revenues follow students wherever they go, and, after all, schools do understand the bottom line." New York Times  
3/20/89

It is interesting to note a 1986 Gallup Poll nationwide: 68% of public school parents endorsed the idea of choice among public schools.

We would revise and amend existing tuition statutes to permit parents to send children to a school of their choice at no cost.

Some of the administrative details of a Choice Program are outlined in Appendix "B".

(2) LEARNING INCENTIVE PROGRAM

The Learning Incentive Program is a voluntary program designed to provide greater educational options for high school seniors who desire additional intellectual challenges by allowing them to take courses outside their resident district at either participating public secondary institutions or public/independent colleges or universities for both high school and college credit.

Participating students may take up to the equivalent of two year-long courses outside their resident high school, up to two courses per semester at public/independent colleges or universities, or any combination of these up to the equivalent of two year-long courses. Some of the details and administrative concerns are outlined in Appendix "C".



- D. All K-12 schools in Montana will be required to use generally accepted accounting principles when reporting their expenditures and receipts in line with the proposal adopted by the House Select Committee on Education in SB 203.

E. Alternative Certification Program.

Under this proposal, Montana would adopt an Alternative Certification Program. Alternative Certification would allow competent individuals to teach in their area of expertise though they might lack traditional teaching certification.

An example of the usefulness of Alternative Certification is especially apparent in the area of foreign languages. International economic interdependency has brought added importance to language fluency. Alternative Certification would make it easier for schools to provide language options to their students by increasing dramatically their pool of potential instructors.

## APPENDIX "A"

### SYNOPSIS OF ACCREDITATION STANDARDS

AS OF JUNE 30, 1989

- . Schools must be scheduled for at least 180 days
- . School Districts operating both an elementary and a high school must have a certified superintendent.
- . Schools with less than 150 students and which are not under a district superintendent's supervision must provide county superintendent of schools supervision two days per teacher per year.
  - less than 150 students must have a superintendent or 2 days per teacher per year supervision by the county superintendent.
  - from 150-300 students in a district the superintendent may be half-time principal and the district may hire a half-time principal.
  - from 150-300 in a school there must be a principal administering at least one-half time and a superintendent.
  - greater than 300 students in a school there must be a full-time principal
  - greater than 500 students in a junior or senior high requires an assistant principal administering at least one-half time.
  - greater than 650 students in an elementary school requires an assistant principal administering at least one-half time
- . 3 days of professional development per year per teacher.
- . School days
  - 2 hours for kindergarten/pre-school
  - 4 hours for grades 1-3
  - 6 hours for grades 4-12

. Teacher load

high schools and junior highs 4 full-time teachers plus administrator

M.S. & 7-8 > 60 students 3 full-time teachers plus administrator

7-8 < 60 students 2 1/2 full-time teachers plus administrator

7-12 < 30 students (phys. ed & typing < 45) (no size limits for music classes)

No teacher has > 29 hours of teaching per week

< 160 students per teacher per day (music excepted)

multigrade - 1-3 < 20 students

multigrade - 4-6 < 24 students

multigrade - 7-8 < 26 students

Single grade kindergarten < 24 students

Single grade 1-2 < 26 students

Single grade 3-4 < 28 students

Single grade 5-8 < 30 students

One teacher schools < 18

No teacher has > than 28 hours of teaching per week

. Basic Instructional Program

> 20 units for high school graduation

Course requirements for graduation

Language arts: 4 units

American History: 1 unit

American Government: 1/2 unit. A 2-unit course in American history and American democracy, which includes a study of government, may be used to meet the American history and government requirements.

Mathematics: 2 units

Laboratory science: 1 unit

Health and physical education: 1 unit. A school must offer at least a two-year program of physical education and specific instruction in health, the content to be adjusted to provide for earning one unit of credit during the two-year period. Students must take health and physical education for two years. Participating in interscholastic athletics cannot be utilized to meet this requirement.

The basic instructional program for each high school shall be at least 16 units of course work which shall include at least those given below:

Language arts: 4 units. The basic minimum program in the four skills of communication (speaking, listening, reading and writing) is required each year.

Social sciences: 2 units

Mathematics: 2 units

Science: 2 units

Health and physical education: 1 unit. A school must offer at least a two-year program of physical education and specific instruction in health, the content to be adjusted to provide for earning one unit of credit during the two-year period. Students must take health and physical education for two years. Participation in interscholastic athletics cannot be utilized to meet this requirement.

Fine arts: 1 unit. Fine arts include music, art, and drama.

Practical arts: 2 units. Practical arts includes home economics education, industrial arts, business education and agriculture.

Two electives.

Basic instructional program for junior high school, middle school, and grades 7 and 8 budgeted at high school rates must offer:

Language arts: 3 units in junior high and 2 units for middle school, and 7th and 8th grades.

Social sciences: 3 units in junior high and 2 units in middle school and 7th and 8th grades.

Social sciences: 3 units in junior high and 2 units in middle school and 7th and 8th grades.

Mathematics: mathematics offerings are to include both algebra and general math in grade 9. Three units in junior high and 2 units in middle school and 7th and 8th grades.

Health and physical education: 1/2 unit each year in junior high and 1/2 unit each year in middle school and 7th and 8th grades.

Art: 1/2 unit each year in junior high and 1/2 unit each year in middle school and 7th and 8th grades.

Music: 1/2 unit each year in junior high and 1/2 unit each year in middle school and 7th and 8th grades.

Practical arts (includes home economics, industrial arts, business education and agriculture); 1/2 unit each year in junior high and 1/2 unit each year in middle school and 7th and 8th grades.

If the middle school program for grades seven and eight is funded at high school rates, it shall include:

Art: art history, art criticism, aesthetic perception and production.

English language arts: reading, writing, listening and speaking.

Health and physical education.  
History, social and behavioral sciences.  
Mathematics: written and mental computation and problem solving.  
Music: general, instrumental and vocal (emphasizing comprehensive music elements, music history, criticism, aesthetic perception and music production).  
Physical and natural sciences.  
Practical arts: e.g., agriculture, business education, home economics, industrial arts.  
Exploratory courses: e.g., creative writing, dance, drama, foreign language, photography.

Basic Instructional Program: Elementary

Language arts including reading, literature, writing, speaking, listening, spelling, penmanship and English.  
Arithmetic, written computation and problem solving.  
Science, ecology and conservation.  
Social sciences, including geography, history of the United States, history of Montana, agriculture and economics. Contemporary and historical traditions and values of American Indian culture may also be included.  
Fine arts, including music and art.  
Physical education.  
Safety, including fire prevention as outlined in state statutes.  
Health education.

. Librarians

K-12	< 100 students	- 1 1/2 hours day
K-12	101-300	3 hours day
7-12	301-500	1 full time librarian
	plus one library aide (or a volunteer)	
7-12	501-1000	1.5 librarians
	1001-1500	2.0 librarians
	1501-2000	2.5 librarians
	2001-2500	3.0 librarians
	plus one library aide for each librarian or a volunteer	

Elementary schools > 4 teachers require 1 librarian per 800 students

Minimum expenditures

Funding: high school, junior high school, middle school and 7th and 8th grade funded at high school rates

50 or fewer	\$	900	
51-100		1,440	
101-200		2,800	
201-500		3,600	(or \$9.00 per student, whichever is greater.)

501-1,000	5,400	(or	\$7.20	per
student, whichever is greater.)				
1,000-1,800	7,200	(or	\$6.30	per
student, whichever is greater.)				
1,801+	10,800	(or	\$5.40	per
student, whichever is greater.)				

A minimum of \$1.80 per student shall be expended for media software.

Funding: Elementary

300 or fewer	\$8.10 per student or \$180, whichever is greater.
Over 300	\$2,430 plus \$4.50 per student over 300 enrollment.

A minimum of \$1.80 per student shall be expended for media software.

. Guidance and Counseling 7-12

A minimum equivalent of one full-time counselor for each 400 students shall be provided. All schools must have a counselor assigned for at least one hour a day or five hours per week.

A separate room specifically designed for guidance and counseling shall be provided.

Adequate space and facilities for clerical assistance shall be provided.

A guidance library shall be provided which is available to all students.

. Special Education

General

Handicapped children are provided opportunities to become confident, dignified and self-sufficient members of society.

To the maximum extent possible, and when appropriate, handicapped children are educated with non-handicapped in the district in which they live.

A child receives special education only when documentation shows that the child cannot be appropriately educated in the regular program.

A current individualized education program is prepared for each student receiving special education and/or related services.

Itinerant and Resource Room Services

Direct services are provided to students with handicaps who are enrolled in the regular education program for more than 50% of the school day.

Ongoing consultation and communication are provided by the itinerant and resource personnel to the student's regular teacher(s).

#### Self-Contained Instruction

Direct services are provided to students enrolled in special education for more than 50% of the school day.

Students in self-contained placement participate with regular students to the maximum extent appropriate.

Each student who has successfully completed an identified educational program must receive a diploma. The official transcript will indicate the specific courses taken and level of achievements.

#### School Plant

There are general school plant requirements that needn't be detailed here.

## APPENDIX "B"

### MONTANA CHOICE PROGRAM

DESCRIPTION: This program is designed to assist school districts in the creation of intradistrict and interdistrict systems of choice which emphasize parental selection of schools at any or all levels.

GUIDELINES: A. Choice Registration Process

1. Registration will begin at a specified time each year.
2. The process should allow time for parental school visits and orientation.
3. Parents may choose a school as part of the choice registration process only.
4. Parents do not have to choose a school:
  - a. At time of initiation of the choice system, parents may elect to keep their child in the currently assigned school without any action on their part.
  - b. After the choice plan is implemented, students already enrolled in a school need not reapply for enrollment each year. If a transfer is not requested, it will be assumed that the child will continue in the school of enrollment to ensure continuity.
5. Parents choosing a school during choice registration must select and rank-order a set number of schools (as determined locally) at the set time of registration. Parents are not guaranteed their first choice.
6. All students shall be provided access to all schools subject only to the following:



- a. Space availability -- which will be defined locally by the administration and school board. Such policy should address school capacity, class size and facilities. Actual space available should be determined in advance of the choice registration process.
  - b. Sibling preference -- to those children with a brother or sister in the selected school.
7. If there are more eligible students than spaces available after the criteria in these guidelines (A.6, a and b) have been considered, one or all of the following may be used as further criteria:
  - a. Those students living closest to the school may be given priority, or
  - b. A lottery may be conducted among the eligible students to fill the available spaces.
8. If the first choice is not awarded, then the student may be placed in the second or third choice school, subject to these same guidelines and in accordance with local policy.
9. Districts may use a waiting list for those who do not receive their first choice.
10. It is expected that students will spend at least one year in the selected school--subject to the local appeal process (A.12)
11. Student transfer requests -- requests for movement of a student other than during the choice registration process -- will be handled by a locally designated school administrator, who will discuss the request with both the parent/guardian and student.
  - a. Student placement in a school selected by a transfer request is subject to the same guidelines as stated in A. 6 and must be compatible with the student's interests and needs.

b. If the final decision of the locally designated school administrator is not acceptable to the parent/guardian, see A.12.

12. The parent/guardian should have the right to appeal student placements or transfer denials before a locally-appointed committee comprised of a parent(s), teacher(s), administrator(s). Final decisions on appeals rest with the district school board.

APPENDIX "C"

LEARNING INCENTIVE PROGRAM

PROGRAM

- OBJECTIVES:
- A. To provide for a greater variety of educational options for eligible public school students.
  - B. To offer intellectually stimulating experiences for eligible students.
  - C. To facilitate the use by secondary students of the specializations, technology and depth of knowledge available at public secondary and public/independent colleges and universities.
  - D. To provide students with an opportunity to gain knowledge and skills by attending other public secondary institutions or public/independent colleges and universities.

GUIDELINES:

- A. Pupil Eligibility
  - 1. Twelfth grade students enrolled in public secondary schools are eligible for this program.
  - 2. Students may participate in this program by taking up to the equivalent of two year-long courses at a public secondary institution outside their district, two courses per semester at a public/independent college or university, or any combination of these up to the equivalent of two year-long courses.
  - 3. Students may enroll in any official session, including summer, of the participating institutions.
- B. Participating Institutions
  - 1. Institutions that are eligible to participate in this pilot program are all Montana public secondary schools and public/independent two- and four-year

colleges and universities.

2. Participating institutions will determine which courses may be used for this program.

3. Participating institutions must provide students with a comprehensive list of course offerings yearly before high school scheduling begins.

4. Participating institutions may require students to meet appropriate standard academic prerequisites for admission into courses. Such prerequisites will be determined by the individual institutions, subject to existing state regulations and guidelines.

5. Transportation: Students attending participating institutions under this program are responsible for their own transportation.

6. Students may not audit courses under this program. All courses may be taken for credit and students must meet all requirements set by the instructor.

#### C. Student Placement

1. Participating colleges and universities will allow students to enroll in courses offered.

2. Colleges and universities will provide the appropriate support services for these students (e.g. use of computer labs, tutorial services.)

3. Participating public secondary schools may accept students on a space available basis.

4. Participating public secondary institutions and public/independent colleges and universities cannot discriminate against students on the basis of race, gender, language ability, socioeconomic status or educational handicap.

#### D. Post-secondary Course Completion

1. Students who successfully complete post-secondary courses under this program will be awarded both secondary and post-secondary (dual) credit.
2. If a student attends the same public/independent college or university after high school graduation, that post-secondary institution must accept the student's credits acquired under this program. That college/university may not refuse to grant credit and may not charge students for the award of this credit subject to regulations in effect at the time of the student's enrollment.
3. Students must meet the local resident district and state mandates for graduation.

The OPI and Board of Regents will be instructed to develop an average tuition cost figure for the allowed course hours. There will also be funding of \$25 per eligible secondary student for books for post-secondary courses taken.

Select Education Funding COMMITTEE

DATE June 1, 1989 1 of 2

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

H. Select Education Funding COMMITTEE

BILL NO. \_\_\_\_\_

DATE June 1, 1989 2 of 2

SPONSOR \_\_\_\_\_

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JIM STANTON	BALZER		
Bob Richards	Miles City		
Joe Gunders	Burt		
BOB FERRAVALIS	BROWNING		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.