



Quality Schools Interim Committee

59th Montana Legislature

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HOUSE MEMBERS

MONICA LINDEEN--Chair
WILLIAM GLASER
HOLLY RASER
PAT WAGMAN

SENATE MEMBERS

ROBERT STORY--Vice Chair
DAVE LEWIS
DON RYAN
JON TESTER

EX OFFICIO MEMBERS

LINDA MCCULLOCH
KIRK MILLER
DAVID EWER

COMMITTEE STAFF

CONNIE ERICKSON, Research Analyst
CHRIS LOHSE, Research Analyst
EDDYE MCCLURE, Staff Attorney
FONG HOM, Secretary

MINUTES

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.

Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

June 28, 2005

Capitol Building, Room 102
Helena, Montana

COMMITTEE MEMBERS PRESENT

REP. MONICA LINDEEN, Chair
SEN. ROBERT STORY, Vice Chair
LINDA MCCULLOCH
KIRK MILLER
SEN. DAVE LEWIS
SEN. DON RYAN
SEN. JON TESTER
REP. WILLIAM GLASER
REP. HOLLY RASER
REP. PAT WAGMAN

STAFF PRESENT

CONNIE ERICKSON, Research Analyst
CHRIS LOHSE, Research Analyst
EDDYE MCCLURE, Staff Attorney
DAWN FIELD, Secretary

VISITORS

Visitors' list, Attachment #1.

COMMITTEE ACTION

- Approved the minutes of the May 4 and the June 3 meetings.
- Awarded the salary compensation contract to Dr. Doug Young and Dr. Christiana Stoddard of Montana State University, Bozeman.

CALL TO ORDER AND ROLL CALL

REP. LINDEEN called the meeting to order. Madalyn Quinlan sat in place of Superintendent Linda McCulloch who was absent. The Committee Secretary took visual roll.

The Board of Public Education will have their meeting in Great Falls on July 14 and would like an update on the Committee's work. Rep. Lindeen and Sen. Story will give the update. **SEN. STORY moved to approve the May 4 Minutes; motion passed unanimously. SEN. STORY moved to approve the June 3 Minutes; motion passed unanimously.**

EDDYE McCLURE said that Mr. Petesch asked her to make a statement concerning the work group sessions. The staff does not believe that the work group sessions constitute meetings within the context of Montana law, but the staff has acceded to the request of the Plaintiffs and the Montana School Boards Association that the work group sessions be conducted as if they were committee meetings. Staff does not want its work sessions to become a major issue in the study. DAVID EWER asked for more discussion about these staff meetings. REP. LINDEEN said that the Committee will address this issue later in the meeting.

STAFF REPORT

MADALYN QUINLAN, Chief of Staff at the Office of Public Instruction, gave a presentation on the status of The Education Data Warehouse and Student Information System (**Exhibit 1**) that the Legislature approved funding for in the last session. SEN. STORY asked if she was working with the State's Information Technology Services Division (ITSD). MS. QUINLAN said that every agency submitted their information technology plan to the Department of Administration and whatever is designed by OPI will be coordinated with other state agencies that have data that they want to link to K-12 education. SEN. STORY asked about privacy issues with very small schools. MS. QUINLAN replied that you have to be careful that the data cannot identify individual students.

SEN. LEWIS asked if the contract with Synesis 7, a solution integration company in Butte, is for the development of the system. MS. QUINLAN said that the contract with Synesis 7 is just for the strategic plan. They do not have a contract for the development of the system itself.

RC WOOD & ASSOCIATES REPORT

DR. DON ROBSON gave an update of what RC Wood & Associates has been doing. He passed out the most recent draft of the District Needs Assessment (**Exhibit 2**). The goal is to have the survey up on the website by July 5. School districts will have until July 25th to complete the survey. R.C. Wood will have a summarization of the process for the Committee by August 1. The Public Needs Assessment is (**Exhibit 3**) is designed to provide similar information that is structured around accreditation standards and quality school definitions. It is primarily designed to give people an opportunity to tell us what they think about their public schools.

CHAIR LINDEEN asked if the two documents that will be put on the website would contain specific instructions that these responses will be anonymous. DR. ROBSON said the data will be aggregated and the only way any school would be identified would be as part of a larger group.

SEN. TESTER asked how districts will know that the Needs Assessment survey was available. DR. ROBSON said that they will e-mail every district with the information and directions for logging on and completing the surveys.

SEN. TESTER asked if there will be any differentiation between school administrators and school board members; will this be open for teachers to fill out? DR. ROBSON said that he thinks that some superintendents will probably want their curriculum coordinator, if they have one, to help them fill out certain parts of it; some may want an assistant superintendent or principal to help them. There will only be one survey per district.

SEN. TESTER asked what is going to be the criteria for the public and will it also be a logon website? DR. ROBSON said that the public survey will not require a specific logon number. A number of people from the same community will be able to complete that survey.

SEN. TESTER asked what kind of criteria will you use to determine if the information is correct? DR. ROBSON said that they will ask them information about who is responding; are you a school teacher; are you a school board member; are you a taxpayer? Because this is intended as public input, there won't be a way to screen them out. This is to get people's view points and give them an opportunity to give us input. However, you have to be careful how you use the information from the public survey. SEN. TESTER asked if the short response time would be a problem for school districts. DR. ROBSON replied that he didn't think so. They won't get 100% but anticipate a good response rate.

DR. MILLER asked what will happen after the data is collected. DR. ROBSON said this survey

is intended to be a picture of, given the current funding formulas and the current funding picture, how our school districts are doing relative to the requirements that are placed on them. The other funding models will require additional data.

STEVE SMITH said that all schools will receive a short form, which is the Needs Assessment. This will provide information on where the schools think they might be coming up short and in what areas they are doing okay. A subgroup of districts will be provided with a long form, which will include the Needs Assessment as well as Personnel Input Requirements, which is based on the professional judgment model. Out of the 850 schools that will receive the Needs Assessment, 120 will receive the Needs Assessment and a Personnel Input sheet on which we ask them to list out the inputs that would be required to meet the accreditation standards and SB 152, everything from personnel costs to professional development costs, technology costs and so forth. The 120 districts will be chosen by a stratified random sample. Once the data is compiled and the results run through a professional judgment panel, they will arrive at one of the costs within the range of costs produced through the four school funding methods.

DR. MILLER stated that school districts would like to complete all of the surveys at the same time. MR. SMITH said all schools will receive the Needs Assessment, a subgroup of schools will receive the Needs Assessment and the Professional Judgment at the same time, and then another subgroup of schools that have been identified as successful schools, will be surveyed again, about two weeks later. We would like to do them all at once, but we need to identify the successful schools.

REP. RASER asked if there is a time line for when these surveys are going to be going out? DR. ROBSON said that July 5th through the 25th is part of the time line. Dr. Wood and Dr. Farrier will need to have numbers and real data by August 1. All of the data gathering, including the professional judgment model, the successful schools model, and the evidence-based model, must be collected, summarized, and reported by August 1. MR. SMITH said that by August 1, we will have the cost estimates from the four different models. We will then begin working with staff on a funding formula.

REP. RASER asked if the schools that are going to do the long form have been notified and have they agreed to participate? MR. SMITH said that if they choose not to respond, they should let us know. We have 20 backup districts.

REP. RASER asked how they are going to determine if a district is successful. MR. SMITH said that they will be using a number of variables as measures of success.

DAVID EWER asked if the Needs Assessment data is going to be used for the Professional Judgment and be reviewed by a panel of experts as well. MR. SMITH said that the Needs

Assessment is going to provide a snapshot as to where school districts think they are at right now, where they think they need help, and so forth. The data will be used in the advanced statistical model.

SEN. LEWIS asked if teacher salary information or any recommendations on teacher salary would be included in the study. DR. ROBSON said they will have teacher salary information. DR. CRAIG WOOD said that he would ask for an index, school district by school district, across the state in terms of the labor market. We will make recommendations to you based on the separate study and their numbers and how to utilize that within a formula. We would cost out district by district what the benefit would be to each district based on those numbers that they would provide. If you did not do that additional study, our recommendation would be limited to the fact that you should do a labor index study.

SEN. TESTER said that in your response to the RFP on page 59, item 4, the second half of the paragraph says, "Dr. Robson will provide a separate report and the costs associated with attraction and retention of qualified educators and other personnel issues examined in a broader context from the advanced statistical method." That is more than just the current salaries by your response to the RFP. Could you respond to that? MR. SMITH said that when they responded to this RFP, they were under the impression that this other salary study was going to be conducted that would do in depth work on salary schedules and so forth. So, when we put that item in our response, it was really talking in a very broad context about the problem of recruiting teachers.

SEN. TESTER said he was surprised when this discussion began because he got an email that said a separate study would be done. If in fact a separate study does happen, it's very apparent to him that it has to be structured much in part to what RC Wood's expectations are. We cannot select somebody to do this without specific instructions on what is needed to meet what Sen. Lewis has already alluded to as the most important sentence in SB 152, the recruitment and retention of teachers.

DR. ROBSON said it is one of the reasons why Dr. Farrier and I responded to the request from the Commissioner's Office because it is data that would augment this study and would allow some differences in various formulas to proceed. When I originally got involved in this, I not only heard that a separate study was going to happen, but who was going to do it. It was an economist from Montana State. So, we anticipated that the data would be out there. What school districts need to attract and retain teachers is a major study.

CHAIR LINDEEN said we have a later agenda item for the discussion specific to the University System contract where we will hear from Dr. Robson and from Dr. Young and Dr. Stoddard. Are there any other questions for R.C. Wood?

REP. GLASER asked how the results of the Public Needs Assessment will be used because it is nonscientific information. DR. Craig WOOD replied that it will serve as a check and balance on other information being gathered. It may provide some useful data. It gives the public the opportunity to provide input to the study.

REP. GLASER asked Joyce Silverthorne how the area of Indian education was progressing and how is Dr. Small being integrated into that. JOYCE SILVERTHORNE said that she is making sure that she is up-to-date on information. Questions about Indian education will be integrated into the surveys. REP. GLASER asked if Ms. Silverthorne felt that she will have some good, useful information for the Committee by August 1? MS. SILVERTHORNE said that there are efforts going on throughout the state working toward this, and this is their opportunity to draw those together and put them into a useable form for the Committee.

REP. GLASER asked if that would be pertaining to the needs of American Indians on and off the reservations and Indian Education for All. He does not want to blend those two. MS. SILVERTHORNE said she did not mean that they are blended. She believes that there is some expert advice that they will need in implementing Indian Education for All in all of the schools in the state, for all the students in the state. That is different from the Indian student achievement gap.

SEN. STORY said that he did not see anything about vocational education on the questionnaire that is going to the school districts. Will you be dealing with foreign languages? DR. ROBSON said it is in Section 1.9.

SEN. STORY asked whether they will know if the survey was being filled out accurately. DR. ROBSON said he cannot guarantee that the survey will be filled out accurately. They are not going to try to generalize these as being representative of the whole population. They are going to tell you how many districts said what and what the general tendencies are in various kinds of districts across the state. We will encourage districts to answer the survey as truthfully and as accurately as possible.

SEN. STORY said that when he was a teacher, a lot of the collective bargaining agreements prohibited differential payment of teachers; you could not give bonuses. Are you going to ask that question? Would it be useful to know if school districts would do things differently if they negotiated their agreements differently. DR. ROBSON said this survey is really asking what they're currently doing, not what they would like to do. If we were going to stay true to this as a needs assessment, we'd ask them if they're paying differential salaries as opposed to should they. Clearly you would want to find out what ideas districts have, or administrators have, for attracting teachers. This is more appropriate for the teacher compensation study.

SEN. STORY asked about matching up the school district surveys with the public surveys. DR. ROBSON felt that could result in districts being influenced in their responses.

SEN. STORY asked if school districts have seen this survey. DR. ROBSON responded that the draft survey has been made available. The survey stays very close to the accreditation standards and SB 152. We believe it is a good instrument. Also, your staff has been very thorough in its review of the survey.

MR. EWER asked Dr. Wood about the retention/attraction issue because he made some implicit conclusions and he wanted to see if they can be made explicit. First of all, by way of background, you were probably aware that this Committee met with your representatives for the proposal, and the question was explicitly asked, would your shop make a bid on this separate attraction/retention study and what I remember hearing was that you would not. Do I understand correctly that you feel that some sort of labor market study is necessary? You talked about a vertical equity adjustment study. It sounds like you thought that was an important component in addressing attraction/retention. DR. WOOD answered yes. MR. EWER asked if that work is typically done by economists? DR. WOOD said yes.

MR. EWER asked if the consultants would integrate the results of the teacher compensation study into their recommendations to the Committee. DR. WOOD replied that they would use the data as another adjustment within the funding formula the Committee creates.

REP. WAGMAN asked if we implement the results of the study, would it bring all students up to proficiency levels? DR. WOOD said the study will make a quality education available to every child in the state, but he cannot say if that will result in greater achievement. It will result in greater opportunity.

REP. WAGMAN said does that mean there is no direct correlation between dollars spent and student achievement? DR. WOOD said he could not say for sure. He believes the way money is spent is more important than the amount of money. Money does make a difference, but he cannot guarantee that more money will result in greater achievement.

REP. WAGMAN asked why there were no questions on parental choice on the public survey. DR. WOOD replied that choice is a public policy decision. If you decide to have choice, then we can build it into the formula.

REP. WAGMAN asked about including extracurricular activities on the survey. DR. WOOD said the survey is a snapshot. Your task is to build a quality school system. You decide if you want to include components other than those listed in SB 152.

MADALYN QUINLAN said that we're dealing with the time quality constraints here in terms of the labor market analysis. You had said earlier that if the Committee didn't do it now, that you would end up recommending in your conclusions that it should be done. When should the labor market analysis be done and have it still be valuable to our process? DR. WOOD said that while he thinks a labor index study should be done, what you do with it and what validity you find in it, is up to you. If you decide to put it in a formula, you go with it. If you decide for whatever reason you don't like the approach, you leave it out. But you have to appropriate money to study that in some manner and do a more sophisticated approach to it. He also said a school funding formula is a work-in-progress and will continue to be refined in future legislative sessions.

CONNIE ERICKSON said Chris Lohse is to present an update on his work as part of the staff reports, but unfortunately Chris has to catch a plane. He could present something today before contract deliberations or it could wait until another meeting. CHAIR LINDEEN wants to hold the report for the next meeting.

MUS CONTRACT FOR QUALIFIED TEACHER AND STAFF COMPENSATION MARKET ANALYSIS

DR. ROBSON of RC Wood & Associates discussed their response to the bid for a teacher compensation study. **(Exhibit 4)**

DR. DOUG YOUNG AND DR. CHRISTIANA STODDARD presented their proposal for the study **(Exhibit 5)**.

DIRECTOR EWER asked if is there a correlation between the number of students that graduate in education to the demand for teachers needed in the state? DR. STODDARD said she thinks the argument has been that there are recruiters that come from out of state who are able to offer Montana graduates a much better package and so a higher proportion of our students that graduate in Montana are leaving. If that's true, we would see that by comparing Montana with other states nearby, doing our best to try to select states that are similar to Montana.

SEN. TESTER had a question that deals with people who go into the teaching profession and then get out a year or two later. Is there going to be any analysis of that? DR. STODDARD said that the best data available on that issue is the schools and staffing survey that tracks a select sample of teachers over time. Then we can compare what Montana teachers are doing as compared to teachers in other states.

SEN. TESTER asked as a comparison, is there any possibility of using northwest states as well as a national comparison? DR. STODDARD said that the data she has access to knows what school district teachers are from.

SEN. TESTER asked Dr. Robson, with his proposal, is there going to be similar efforts as far as not only people who get out of the profession after a few years, but graduates: how many of them are going to teach, how many go to other states to teach, how many stay in the state etc. DR. ROBSON said that clearly we have to do comparisons with the national salaries and with the northwest. We felt like you would have to go to two groups of people; those who have made the decision to teach in Montana and who are here teaching, and that would include people who come from other states to teach in Montana, and people who have taught in Montana and who have left. That involves finding them and trying to get some ideas of what were the factors that caused them to make those decisions.

MADALYN QUINLAN asked a series of questions regarding the source and quality of the data, and if they were planning on additional data collection. DR. STODDARD said that the national data used in tracking teachers will be merged with the common core data information. In terms of the Montana data sources, we have the current salary schedules, the MEA/MFT data on the steps and lanes for salaries for districts in Montana, and OPI data on teacher turnover. The only other data they are planning to collect is from the colleges, what fraction of students are staying in state, what fraction are leaving the state, of those how many were in-state students, how many are out-of-state students. The quality of the data will depend on what the colleges collect.

MS. QUINLAN said that the working group of this Committee had a discussion about the issue of compensation and studying compensation versus studying salaries. If you only look at salaries, it's not enough because of the other kinds of compensation that people receive. She would like a comment on that, how does all this fit together? DR. YOUNG said that first, in principal, it's the total compensation package that matters to the teacher as well as a variety of other things. Health insurance comparisons can be made across states. The structure of our retirement system can also be compared to other states. This data can be integrated with the MEA/MFT data that is specifically on salaries themselves.

SEN. RYAN asked how we relate the cost of living within a community as to what the teachers compensation should be. DR. YOUNG said that the idea of a labor market study is dependent on more than the cost of living. If we simply looked at cost of living, that would not be an accurate way of thinking about the kinds of salaries that we need to pay to attract teachers. The first part of our study is to specifically look at these issues of turnover and what is their geographic location within the state. Turnover, retention, problems in filling positions, where are the parts of the state that those particular issues are especially critical. And then as we

look across the state, can we relate those issues to teacher salaries, and perhaps other characteristics of the district, including the demographic characteristics of the districts that also influence people's willingness to live there. The point we're trying to say is that a labor market study is certainly much more than salary or even more broadly compensation, and it's much more than the cost of living.

REP. WAGMAN asked if the information will be available so staff can compare their results with other occupations in the state that require a bachelor's degree to see if the same thing is going on in the private sector? DR. STODDARD said that the turnover rate of other professions in Montana would be hard to get at, but certainly they can compare the salaries of workers with bachelor's degrees who are in similar age composition to the salaries of teachers.

REP. RASER asked questions about the quality of the data on recent graduates. It is her understanding that the colleges do not have the best data. DR. STODDARD replied that the quality of the data depends on the college or university. Other states may have similar problems with their college data.

REP. RASER asked, considering the limitations on the data, what other sources are you going to use. DR. YOUNG said they will use national salaries and staffing data from the National Center for Education Statistics (NCES). It's not perfect but it is a nationwide survey from which we can make comparisons with other states. We can also look at changes over time because these surveys go back to 1988. DR. ROBSON added that the best place to get information at a college is the School of Education, not Career Placement. Every School of Education has someone in charge of teacher placement. There may also be ways to track down people who were educated in Montana but teach elsewhere.

REP. RASER asked how you will determine what level of compensation will keep people in a school district. DR. STODDARD replied that they can look at similar districts then compare salary levels and turnover rates.

DR. MILLER asked how the study will blend in with R.C. Wood's work. DR. YOUNG replied that they will provide a range of compensation levels for staff and what kind of salary adjustments need to be made in different parts of the state.

DIRECTOR EWER asked about teacher turnover. DR. YOUNG said there are many factors that affect turnover, including salary. They will present information on these other factors as well.

SEN. RYAN asked that the historical bias on teacher salaries because of gender inequity and the limit on experience that teachers can carry to a new district be factored into the study.

REP. RASER said the NCES data that you would use is from 1988 to 2000. Is there more current data available? DR. STODDARD said that no, the last wave is 2000. Data from 2001 is coming but will not be ready for this study.

JIM STANDAERT said the court case talks about prospective remedies. Is there anything you can learn about turnover from the TRS data regarding the current age of teachers who are out there in the districts now and over the next 10 years and how many are going to leave the profession? DR. YOUNG said that a recent review by TRS looks at those kinds of issues, separations from TRS based on age, years of service, and eligibility for retirement, as well as other reasons, such as disability. It would be possible to incorporate this data into the study.

DIRECTOR EWER said is there anything that you can perceive that would enhance your analysis with more current data that would answer the question between 2002 and now, and not be limited to 2001? DR. YOUNG said that the National Schools and Staffing Survey that ended in 2001, is one data set and the advantage of that data set is that it is across states. In addition, the second item on our proposal, district level data that is essentially current, includes the district salary schedule and recruitment, retention, and turnover. That kind of data, in making comparisons between districts within Montana, is current.

DIRECTOR EWER asked how they will switch that into the turnover proxy that was talked about. DR. STODDARD said that they would have to look at the number of openings in a given year and relate that as a fraction of the teaching force and to salary schedules across districts.

SEN. STORY asked if the study could be completed in the time frame the Committee has set. DR. STODDARD said yes, provided the Committee doesn't ask later on for additional information.

SEN. STORY then asked if the information from the study could be used over the next few years because the issue of recruitment and retention will need to be continually revisited. DR. STODDARD replied that they will share all of the information they gather. The only caveat she would add is that NCES data is restricted use data and future researchers will have to apply to NCES for permission to use the data.

SEN. LEWIS expressed concern over duplication by R.C. Wood and this salary study. He cited some of the questions on the District Needs Assessment Survey as examples of possible duplication. DR. STODDARD replied that their study would look at salary comparisons across states, between districts within the state, and with other workers in Montana. She did not think the survey questions would duplicate their efforts.

CHAIR LINDEEN announced that the Committee will hold off on making a decision on this

compensation study contract until after public comment this afternoon.

The Committee broke for lunch.

STAFF REPORT

MIKE BURKE, Office of Budget and Programming, gave a report on school facilities (**Exhibit 6**).

- Building Operations and Maintenance - personnel costs, utility costs, retirement costs; current costs that are involved in operations and maintenance for schools.
- Capital Projects Entitlement - construction and major capital outlay for schools.
- Debt Service - currently in form of Facilities Reimbursement Program, which is state share of principal and interest on General Obligation Bonds.

SEN. STORY asked Mr. Burke that when he did the first chart on average costs per ANB, is that a weighted average and how did you come up with that? MR. BURKE said that it is weighted and it was obtained by taking total costs divided by total number of students.

SEN. RYAN asked if we can find a way to reduce the reliance on per pupil expenditure and use this data and other data that Mr. Burke has so that there can be a fixed amount coming in to cover the fixed costs that go with the facilities, so that when you have a declining enrollment and increased facility costs it is something factored into our formula.

AMY CARLSON said they need to do a facilities inventory. One option is to have A&E, like they do with state facilities, do a condition inventory on a regular basis of all the schools. This way we could evaluate the changing conditions of our schools. MIKE BURKE added that he has checked with facilities managers to get an idea of how schools are doing this. There is a wide variety of ways as far as how they look at facilities, how they assess them, what's needed to take care of them, etc.

DR. MILLER said his concerns fall in the realm of deferred maintenance. He said the accreditation standard that addresses school facilities is purposely vague because of the high costs involved in construction, operation, and maintenance. The Board does not want a school district to have to "break the bank".

SEN. TESTER asked about converting O&M costs from cost per student to cost per square foot. AMY CARLSON said they could do it globally but not by specific district. We have some national data and some data for the School for the Deaf and Blind. It works out to about \$4 to \$5 per square foot.

SEN. STORY said that many schools were built for more students than are currently attending them. You have to take this into consideration when calculating square footage. AMY CARLSON stated that you also have to realize that facilities include football fields and bus barns, which are low maintenance, as well as classrooms and laboratories, which require more maintenance.

MS. QUINLAN asked if Mr. Burke knew of any reporting standards for collecting information on facilities. You need to know more than square footage; you need to know for what purpose is that space used. MR. BURKE replied that he has seen some survey tools that do that.

CHAIR LINDEEN asked for the final draft of Mike Burke's report.

OPTIONS FOR NEW SCHOOL FUNDING DISTRIBUTION MECHANISMS

SEN. RYAN said we're talking about a distribution mechanism and he wants to ask Dr. Wood if he has reviewed and has any comments on the Joint Subcommittee's work that was done during the session. DR. WOOD said he has read the Subcommittee's report but doesn't have any comments at this point. You have a couple of basic issues that are within the purview of the report the consultants will make and other issues that are outside of the report that are public policy issues. The first issue is the remedy for the Court. The question before us is what costs do we set forth for funding public education and then how do we distribute the money. First of all, remedy lies solely within the purview of the Legislature. When the plaintiffs won in court, they had to accept the fact that the remedy now belongs to the Legislature. The other major issue that you have to resolve early on is that in order for any formula to work properly in terms of adequacy, it must first be efficient. You cannot have adequacy without a high degree of efficiency. You've got to wrestle with the issue of why school districts are small. If, in fact, they are small because of geography, isolation, transportation, etc., that's perfectly acceptable and we can deal with that in a formula. On the other hand, if a district is small because the voters choose to be small to keep an artificially low tax rate, that is going to cost you money.

SEN. RASER would like to get feedback on the formula, or at least the components of the formula that are proposed in our report: a classroom entitlement that is program costs, students costs, etc. DR. WOOD said where it makes most sense to have a classroom model is where you fund a classroom regardless of the number of students. Where you have a very small district, let's assume there are no legitimate efficiencies gained by any other administrative arrangement. The fixed overhead for those on a per student basis as we all know are relatively astronomical compared to other districts. In what manner you fund them, is the issue.

REP. RASER asked if the classroom entitlements would be beneficial to larger districts. DR.

WOOD replied that, generally speaking, larger districts have certain economies of scale that allow them to absorb the loss or gain of certain numbers of students. But it is probably more feasible with smaller districts.

SEN. STORY said that Montana's big problem is declining enrollments. We need to develop a formula that deals with that. DR. WOOD replied that most states have a formula that is a combination of state and local money. State money tends to be enrollment driven while local money is not. When enrollments decline, the burden shifts to the locals. However, under your new formula, the accreditation standards and the definition in SB 152 will determine your costs. Even if a district is losing significant enrollment, the question is, can the district meet the standards in SB 152 and the accreditation standards.

REP. WAGMAN said it's common mistake that I made myself and that's to state that we have to provide a quality education and a basic system of free quality schools. I want to say that for the record because I know it makes it into the press.

MADALYN QUINLAN wanted to hear the pros and cons of the classroom unit model versus the student. DR. WOOD said that most states used to have a classroom unit model, and in those states, most had growing enrollments and it became a more precise measure to fund the student. Our goal is to have a basic formula that will exist for many years to come and, hopefully, to which minor adjustments will be made every legislative session. If we're on this time line, our state aid is going to increase x percent over the next four or five years, etc., given certain trends. You can plan accordingly. That can be difficult but again, the issue is there's no formula that's perfect for a variety of reasons. Off the top of my head, I think you are going to have to have a sparsity adjustment. That is extra money for very sparsely populated school districts because of the fixed overhead. Now, that may or may not fit into that fixed model. We let the fixed model concept drive the sparsity index numbers or vice versa, but either way we get there so we can assure that those youngsters are provided this education that we're talking about. On the other hand, I would also say that you have to have a poverty index. That means by definition that it puts extra state-assistance in the poorest of school districts, i.e., the poorest of students. Now the hook on that is that you just don't give that money to school districts. They have to demonstrate a plan or something that meets the intent of your assistance.

SEN. LEWIS said that he represented six counties, five of which are sparsely populated, very low income counties. What are your thoughts about how you put more money into the sparsely populated low income counties and retain good quality versus the more prosperous and faster growing counties. DR. WOOD said when we set out this base student allocation number based on these four models, we can only reasonably predict that whatever that number is, it is going to be higher than what it is now on a per student basis. That within itself should raise the revenue pattern to everyone. The question that you have to wrestle with is, who is going to pay

that share? It could be the state or, it could be the local taxpayers in that district.

SEN. STORY asked how do they account for federal money in the system and if they could build that into the formula? DR. WOOD said that you can build it into the formula if you fall within certain guidelines, which have to do with the federal range ratio test.

SEN. RYAN asked if we were to say we're going to give x amount of dollars per student, but we're going to weight for those students with different disabilities, are we able to use that Title I money as part of that weighted factor? DR. WOOD said if you meet certain guidelines you can. There are two types of weights we can look at. One is such things as special education, poverty and the other is base student education by class size per district.

SEN. RYAN asked about other factors such as free and reduced-price lunch, English as a second language, etc. DR. WOOD replied that you can build a host of legitimate vertical equity adjustments. Many would be cumulative because it's the same population and would drive huge amounts of money into the poorest communities. This will enhance the opportunity to reduce the achievement gap.

EDDYE MCCLURE asked if the Committee should continue working on the formula developed by the Joint Select Committee or wait until R.C. Wood provides us with the data and suggestions for a funding formula. DR. WOOD replied that the Committee should continue working.

DR. MILLER re-emphasized what he called the "Big Four": need, costs, distribution formula, and revenue. None of these can happen in isolation; all of them have to keep moving at the same time. He was pleased to hear that R.C. Wood was talking about the formula. He hoped that revenue and taxation would also be part of the discussion.

REP. RASER asked for some feedback at the next meeting from Dr. Wood on the proposed funding formula in the report of the Joint Select Committee. Is this a feasible mechanism? Can we cost it out? DR. WOOD replied that he would be happy to respond to a conceptual framework.

SEN. STORY said we need to start grappling with the formula and the revenue. We have to convince 142 other legislators.

REP. WAGMAN asked if any of the four school finance methods being used by R.C. Wood have been proven scientifically to work. DR. WOOD replied that school finance is social science research, not hard science. Each model has its strengths and weaknesses. The methodologies are as scientific as the research community can make them. However, the

methodologies can be defended.

STAFF REPORTS

Indian Education for All

NANCY COOPERSMITH, Assistant Superintendent of OPI and LYNN HINCH, OPI, discussed the Indian Education for All budget (**Exhibit 7**).

SEN. STORY noted that a some portion of their money will be used for curriculum development. Do you have goals for what that curriculum is going to be? What kind of things do you contemplate Indian Education for All to cover? MS. COOPERSMITH said that they are not developing a separate Indian Education for All curriculum. As the Board of Public Education moves through its review of the accreditation standards beginning this year, there will be standards incorporated all across the curriculum for Indian Education for All, within the science standards, within the communication arts, etc. What they are working on this summer are model lesson plans based on grade levels. MS. HINCH said that they have started with the social studies curriculum.

REP. LINDEEN asked about the public education campaign, the brochure. What is the plan for distribution? Is it targeted for just school board members or for the general public as well? MS COOPERSMITH said all of the above. They will also have information included on OPI's website and will have information in every school. As OPI staff visits other entities, they will share those materials as well.

District Fund Structures

MS. MCCLURE stated that SB 152 requires you to consolidate budgetary funds and to create the number of funds necessary to have school districts operate efficiently and provide school districts with flexibility. Joan Anderson, Kathy Fabiano, and Eddy McClure have been meeting and forming a task force. They will start meeting with county superintendents, county clerks, and business officials who actually work with these funds. The plan is to talk about the 25 funds we have, why we have them, and options that we see for making changes. They will present a recommendation to the Committee in July or August.

COMMENTS ABOUT PUBLIC INVOLVEMENT--MEDIA--STAFF WORKLOAD

REP LINDEEN addressed the public involvement issue. It is amazing that we can work on this important school funding issue and come to a reasonable conclusion. The process of the Legislature allows for contentious issues to be addressed in a way that is done with respect for

all opinions and all points of view. This school funding issue is huge in magnitude as far as its effects in every community in the state. As a result, people have asked for unprecedented access to the legislative staff. This Committee has been more than willing to do that and the staff has been more than willing to do that. Not only does our staff need to be commended for that, but they also need to be commended for the fact that they are putting their entire lives on hold and going, once again, above and beyond the call of duty to do the work that is being asked of them in a very short amount of time. The fact that this Committee and this staff have felt so strongly about the public's need to be involved in this process, even more so than they are usually in the legislative process, speaks volumes.

But I and other members of this Committee have been somewhat disturbed by the fact that, from time to time we read in the paper that some people feel that they don't have access. If you feel that you don't have access, I want you to tell me specifically what the problem is, because we have at every juncture tried to make sure that the public was involved and will continue to do that. We have allowed non-staff members to be added to the staff working groups. If you think that you're not getting the access you need or don't have the ability to make public comment please let us know. And even if you can't do it today, call Senator Story, call myself, call any member of this Committee and tell us how we can do a better job.

SEN. STORY said we all need to be moving in the same direction if we're going to get somewhere. He hoped that this issue of access was not being used to stall the process. If the education community thinks they need more access, now is the time to speak up.

REP. WAGMAN said that this is what he was concerned about last session when he had amendments to the bill that created this Committee. He didn't realize that it would affect the staff. He knew that there would be pressure on the Committee and he wanted it to be a legislative process. He is very concerned that the industrial complex of the education community is trying to control this process and not let it work to the best of the ability that it can, and he regrets that the staff is involved in this. When you pay your \$15 and run, you know you're going to take the heat on issues and you're going to have to be lobbied and what not, but he regrets that the staff is in that situation. It's been his concern all along and he's been outspoken about education issues and the influence of the lobby in these issues his whole tenure as a legislator. As far as the citizens of Montana, I view this as a debacle that's being foisted upon them in an attempt to put more dollars into education. I believe there's some districts that deserve more money and I'm here to try to find where the need is and I'll spend every dollar that I think we need to spend, but I won't spend a dollar more.

REP. GLASER said that he recently attended the MREA convention in Billings to speak to the MREA Board. They are very supportive of our work and are willing to jump in and help us.

SEN. TESTER said that he wanted to go back to the original point on staff openness. The Legislative Services and Legislative Fiscal Divisions work for the Legislature. Their openness in this process has gone above and beyond the norm. It has distressed me greatly to pull a paper up online and find out that the staff is being criticized when I think they're going above and beyond the call. Quite frankly, I would encourage anybody who wants to be critical of the staff to get a hold of a sitting legislator on this Committee for sure and anybody else you feel appropriate, because that is much more of a proper chain of command, in my opinion. If you feel that you're getting short changed on your input, we'll do our best to rectify that whether you are a parents group, a taxpayers group, a teachers group, an administrators group, or any group that you happen to represent. I think that the working group with the three people from the education community that serve on that group has to be able to do its work and has to be able to bring to us recommendations as they develop them so we can be critical of them. It's very important to me as a legislator that we understand that the staff is responsible to us. That's who we hired and that's who they're going to serve and if you don't like the way they're doing their job, come talk to us. The last place I want to read about it, quite frankly, is in the newspaper, unless I hear about it first and I'm given the opportunity to rectify it.

DAVID EWER said that you as legislators are voting members of this Committee and are the defendants. And we as part of the Executive Branch are defendants because we have some role as well. So, I share my concerns and comments on a number of issues. One of the issues that I am deeply concerned about is the appropriate boundaries for the staff meetings. This issue has been further amplified by correspondence, letters, directives from the plaintiff's attorney, Mr. James P. Molloy, asking us to preserve all correspondence and writings to certain individuals as they may be relevant in future legal proceedings. This is his right; I understand the plaintiffs' motivations. But I can also understand that people find this somewhat of a chilling process. If these staff meetings are public in the way that the plaintiffs say they are, I'm worried it could stall the process. I understand the situation we're in; we're the defendants and we're obligated to meet our constitutional responsibility to afford Montanans a basic system of quality education. I can accept these letters from Mr. Molloy, but I am worried about the appropriate boundaries for the staff meetings.

SEN. LEWIS asked for some clarification on this issue of public involvement as he was unaware that there was a problem.

REP. LINDEEN said there have been two or three occasions where staff has been accused in one way or another of not being as forthcoming as they should be. In a recent staff work session, the education community told the staff that they appreciated the accessibility they were being given. The education community then held a press conference claiming they were being denied access. Mr. Molloy then sent a letter stating that the staff work sessions needed to be conducted in the same manner as legislative committee meetings. The letter was released to

the press before either the staff or the Committee members saw the letter. This past Sunday there was an editorial in the Billings Gazette stating that this Committee was not providing enough public access, and one member of the education community in particular claimed in the editorial that he had no clue as to what was going on.

SEN. LEWIS said if it's in writing, it's public information. We don't have any right to keep anything private as public employees. He is not sure what kind of verbal communications have taken place, but normally the easiest thing is that the meetings are open and the files are open and that's the way we operate. We've always done it that way.

REP. LINDEEN said that's not the problem. There's no argument about being open and having open government. What we're talking about here is the fact that legislative staff have opened up the process in a way that they have never opened it up before to the public, including their staff meetings. This Committee has been happy to do that, but at the same time the staff doesn't need to be hammered in the press. The fact is they have a job to do in a very short amount of time, and we want to make sure that they get that job done.

SEN. STORY said the real issue gets down to not only how this process operates, but how the whole legislative process will operate in the future. When two or three legislative staff members want to get together to talk about what they're working on and how to coordinate their work, does that rise to the level of a public meeting that must be noticed, provide for public comment, and have minutes kept? I contend that it does not, but I think for this process it's good that it's happening. But, the next time you want a bill drafted and you have more than one staff member working on it and they want to get together to talk about it, they may have to publish a notice, put out an agenda, and keep minutes of what goes on.

REP. LINDEEN said her final comments are that obviously I think the intention here is to get this aired out because we need to move forward without continuing to have this kind of conflict. We all want to work together. We want to be able to work with the public on this as well. We welcome that. If somebody out there has an idea of how we can do that better, then let the Committee know. It would be nice to hear about it first hand.

DR. MILLER said that he must reluctantly weigh in on this issue. Potentially, the reason why the education community would hold this issue so close is the result of the Crofts decision and the Bryant decision out of Billings and that everything that happens in school districts is under the public eye with published agendas and minutes. Local school boards are under that eye on a daily basis. They can't meet, they can't talk about anything that has to do with school district business because they're elected. My staff and I can't meet and make decisions that would have an impact upon a decision that the school board would make without publically noticing that meeting. And so it is the education community who would have that in front of them on a

daily basis and maybe that was the issue that ended up being raised here. I would be the first to say that the difference between the legislative staff support of this Committee is significantly greater than the staff support received by the Renewal Commission and the Public School Funding Advisory Commission, and that is a direct commendation to the legislative staff and the great work that they do here. I understand why the education community would have a point of view on this issue, but don't take that as a condemnation or something negative toward the great work that the staff is doing because I, for one, appreciate that three people from the education community have been allowed to work with the staff. And the last thing I'll say is, it's all worth it because it's all about the kids in the end. You're never going to get more opinions that when you're talking about how we provide opportunities for our kids in Montana. So, even though there may be some disagreements in some of those things along the way, I think the process will work itself out, and I appreciate being a part of it.

PUBLIC COMMENT

JACK COPPS, Executive Director, Montana Quality Education Coalition (MQEC), stated that he and he alone is the official spokesperson for the MQEC. He reiterated the need for public access to the study process.

TOM BILODEAU, MEA-MFT, stated MEA-MFT's opposition to the request for another contract to study teacher compensation.

MARY WHITTINGHILL, Montana Taxpayers Association, appreciates the opportunity to provide input and information to the study.

BOB VOGEL, Montana School Boards Association, stated that he hoped the work that the school boards will be doing for the study will be used. He appreciates the work the staff is doing and supports the need for open meetings and the availability of documents to various organizations.

DISCUSSION ON THE MUS CONTRACT

SEN. STORY moved to award a contract to Dr. Young and Dr. Stoddard to conduct the compensation study and work in conjunction with R.C. Wood & Associates.

DR. MILLER said that he didn't believe that the value derived from conducting an additional study will help drive decisions of the Committee. His opinion would be to not spend \$20,000 and take what RC Wood & Associates is going to bring to the table, take any information that is

currently available that can be used, and allow staff to do the work.

SEN. TESTER said that he does not trust the national information that is almost 20 years old. When looking at R.C. Wood's response to the RFP, there was an agreement to study salaries and benefits. They should do it.

DAVID EWER said he supported Sen. Story's motion.

REP. RASER has a concern over the time line and the quality of the data gathered in that short time frame, but good data and bad data will generate questions. She supported the motion to award the contract to Drs. Young and Stoddard.

REP. GLASER supported Sen. Story's motion. The study by Drs. Young and Stoddard will be done in conjunction with the R.C. Wood study, which is important.

REP. WAGMAN said information is the most powerful thing in world and we can't make a quality decision without information. He supported the motion.

SEN. STORY closed by saying that he was glad to hear from the proponents telling us about all the information that is out there and why we should use it and let staff analyze it. That might be workable if we had a little more staff and the staff had a little more time. But, they have enough things to do. Relooking at the information with a new set of eyes and an understanding of statistics would be good for us. We can then look at it and decide if it is valid. I hope you will agree that this will be money well spent even if you do not agree with the outcome.

CHAIR LINDEEN asked for a voice vote on Sen. Story's motion. There was a 6-2 vote; the motion passes with Sen. Tester and Sen. Lewis voting no; Sen. Ryan voted yes by proxy.

MEETING WRAP-UP

MS. ERICKSON requested that if the Committee members receive correspondence or send correspondence related to the work of the Committee, please send either the originals or copies to her to be kept in the central file and be made a part of the public record.

SEN. TESTER would be open to suggestions to involving members of the Senate and House as far as what transpires in this Committee. Is the link to the website enough or should the legislators be notified with a summation of the minutes of where we are in this process. It is critical that they are kept abreast of what is transpiring with this issue. MS. ERICKSON said that they are taping the working group's work sessions; she could send a brief, weekly e-mail to

Committee members to update them on what happened at the work session.

SEN. TESTER said that it's not so much the people who are sitting at this table as those who aren't present that he is concerned about, particularly legislators, that need to know what is going on before they come back into session. MS. ERICKSON said that she does try to put as much information out on the web as she can. The Interim Newsletter comes out every month and she writes an article in that. She could expand upon her monthly article, maybe even write a "Back Page" article.

SEN. TESTER said that might be adequate with some explanation that there's information on the website with some addresses they could tap into. Expanded information in the Interim Newsletter, plus the work that the Committee is doing would be adequate.

MADALYN QUINLAN said that OPI sent an e-mail to all major daily newspapers in the state informing them that the Public Needs Assessment tool was going to be available and asking them to post that on their home pages. This would be another place that one could see what is being requested.

JIM STANDAERT asked the Committee if we needed to approve both needs assessment studies and is there a drop-dead date by which we need to inform Dr. Robson of any further changes in either one of those instruments? MS. McCLURE said that it was her understanding that what Dr. Robson presented to the Committee was what he was planning to post on the web. He did not give us any other instructions other than the changes he made the other day.

SEN. TESTER said that we've hired Drs. Young and Stoddard and they requested that some questions be added to the survey on their behalf; that might be taken under consideration.

REP. RASER said that at the end of the legislative session, we did have topics for further study. Two things she wants to make sure we address are 1) regionalization: that is something that was positive that came out and it might be something that we might start meeting about; and 2) the revenue structure and talk about options as far as permissive versus nonpermissive levies. She would be in favor of wrapping up the number of times we get together or with the working group or subcommittees. The other thing is the editorial in the Gazette did say something about public meetings and taking them on the road. When we do have something to present, is there some discussion about having some meetings at other locations besides Helena?

SEN. TESTER said that we need to be somewhat aware of the impacts that this will have on the staff. He thinks there are some benefits to getting out and getting around, particularly for those in the eastern part of the state. If there are particular issues that would allow us to go to other locations, that would be worthwhile.

SEN. STORY said that holding meetings through VisionNet may be more effective than traveling to different places.

REP. WAGMAN said he mentioned that we could try to find out what the sentiment of the public is on the issue of school choice.

REP. RASER said she didn't think that fits into the parameters of what this Committee is assigned to do. She would have a concern about using the public survey because it is just a poll open to whomever. This may not be valid scientific data.

REP. WAGMAN said that if there was enough of a response from the public that they want choice, I think we should consider that in the funding formula.

SEN. LEWIS said that the point he was thinking about is that it's unconstitutional in Montana to put public money into private schools. This process that we are undertaking is to examine how we should distribute public money. He's not sure what the point would be to take off in that direction.

REP. WAGMAN said Article 10, section 6, reads "Aid prohibited to sectarian schools". He's not talking about religious schools, he's talking about private schools and choice within the public school system. We need to find out what the public really wants. We have a good percentage of parents who are exercising choice by home schooling. We're sending a document out there to collect public perception of the needs; why not include the question?

CHAIR LINDEEN asked Rep. Wagman if we want to find out whether or not people want to choose home schooling, which is not a public school system choice.

REP. WAGMAN said he was not sure how to word the question, but knows that the issue was choice between schools within a district. There's a perception that certain schools deliver a better product and the parents want to choose those schools. The question could be tailored to get that information and could also be tailored to try to understand why people are choosing to home school or determine if there is a segment of a community that would take a scholarship or voucher to attend a private school if such an opportunity was offered.

CHAIR LINDEEN asked Eddy McClure if the purpose of this Committee and this Needs Assessment is based on SB 152, would this be within the purview of that.

MS. McCLURE said that she thinks that Rep. Wagman is talking about the public survey and not the district Needs Assessment Survey. As she understands Dr. Robson, the public survey was not going to be used for statistical reasons. It was going to be more an informal census.

REP. WAGMAN said that was the point that he made with the question asking parents if they want more extracurricular or co-curricular activities, which are not addressed in SB 152. The survey already goes beyond SB 152.

DR. MILLER said that asking that kind of a question of the general public would misrepresent the true picture of the number of home schoolers in Montana.

REP. WAGMAN said there's an assumption and almost an arrogance by the education community that they believe that they are meeting all the needs of every student. That is not the case. There are certain students that do not fit into the system. Those students end up outside the system; they end up in prison; they end up in other places where you don't want them. They do cost society and it's a loss of productivity and dollars. SB 152 is specifically designed for the needs of students. That's what he's talking about. There are some students that the public system does not serve well.

ADJOURNMENT

Meeting adjourned by Chair Lindeen at 5:30 p.m.