

Montana's Public Schools are Unified in Support of a Legislative Plan for the 2013 Session! LC 132 by Senator Llew Jones, Conrad

1. SECTION 1: Creates a K-12 Data Task Force with trustees, administrators, tech staff, parents, school business officials and legislators to work with OPI to ensure that the statewide data system can be used by classroom educators, administrators, and parents to collaborate in supporting students' academic needs.
2. SECTION 2: Provides for the new Data for Achievement payment referenced in the explanation of Section 5 below.
3. SECTION 3: Diverts half of the state's current share of oil and gas revenues that currently go to the state general fund to the guarantee fund where it helps fund a new Natural Resource Development K-12 Funding Payment to support school district BASE budgets statewide (\$100 million gross biennial fiscal impact to the state general fund projected, though as much as half of that may be offset by lower GTB costs (to the state). This should substantially reduce district property taxes statewide.
4. SECTION 4: Amends the law on data systems to ensure that there is a focus on bringing useful data to educators and parents to use to enhance instruction and academic performance of students. The intent through subsection 5(b) is to ensure that OPI and the K-12 Data Task Force work to make sure the data system has a module or other capability of "talking to" and/or automatically converting data form other systems already in use in school districts (e.g., Power Schools) and/or by OPI, both so that districts using systems that have all the components sought in this bill will not have to reinvent the wheel and so that districts do not have to repeatedly input the same data multiple times for different elements of the statewide data system as it has existed in the past. There is also a contemplation that OPI and the K-12 Data Task Force will review options available through private companies that may satisfy the specifications and needs for a statewide data system.
5. SECTION 5:
 - a. Provides for statutory calculated inflation for the per-ANB entitlements (0.89% in FY14 and 2.08% in FY15 -- \$20 million biennial fiscal impact in state aid for this increase, higher at BASE and MAX; this will increase spending authority for districts.
 - b. Implements the K-12 Vision Group's per school unit entitlement concept, phased in over two years (\$28.6 million biennial fiscal impact in state aid, \$11.3 in FY14 and \$17.3 in FY15, higher at BASE and MAX; will increase spending authority for districts) and address larger school system concerns with the one size basic entitlement under current law.
 - c. Creates the "Data for Achievement payment" of \$20 per ANB as a new school district general fund component. This should increase funding for schools by approximately \$2.95 million per year, \$5.9 million per biennium.

- d. Creates a new Natural Resource Development K-12 Funding Payment that will be funded with oil and gas revenues previously in the state general fund and with excess interest and income generated off of state lands. The revenue will be a variable funding source distributed as a percentage of BASE funding costs of the Basic and per-ANB entitlements, much in the same manner as currently used to fund direct state aid (DSA).
6. SECTION 6:
- a. Ensures that school districts that are over maximum can add increases in all general fund payments and entitlements to their prior year's budget. This basically ensures that over max districts will have increased spending authority to implement common core and Chapter 55 rules from the Board of Public Education.
 - b. Allows a school district to increase its over-base budget levy without a vote to the extent that the school district decreases other non-voted levies imposed by action of the board of trustees. The authority to maintain the non-voted increase in the over-base levy in future years is decreased to the extent of any subsequent increase in other non-voted levies.
7. SECTION 7: Oil and Natural Gas Revenue Issues as follows:
- a. Provides for local area sharing of oil and gas revenues in concentric circles emanating from the originating source of revenue and impacts, first to the other half of unified districts, then to immediate adjoining districts, then to districts throughout the county, then to districts in contiguous counties, then to all schools statewide (\$24 million biennial fiscal impact).
 - b. Reduces the amount that school districts have to budget in oil and gas revenues in their general fund to 25% of oil and natural gas revenues received. The language also provides additional flexibility in how this money is allocated, with only 50% of the amount used to reduce the BASE budget and with the remaining 50% available for the over-BASE portion of the budget.
 - c. Exempts certain school districts from the obligation to budget in the general fund at all (e.g., districts under \$1 million, districts with low spending, districts with unusual enrollment increases, etc.)
 - d. Expands the 130% cap on oil and gas revenues for any district with an unusual enrollment increase approved by OPI, by \$45,000 for each additional ANB (150 square feet per pupil times \$300 per square foot build cost). Estimated cost of \$4.5 million, based on 50 qualifying ANB in each year of the biennium.
8. SECTION 8:
- a. Adds a new count in December to the existing enrollment counts in October and February to gain an additional data point for calculating ANB.
 - b. Adds a new provision that allows a district to count students who achieve proficiency on particular classes in fewer hours than what would otherwise be required by the law. This is the "learning is the constant, time is the variable" concept which has been discussed in the K-12 Vision Group in innovating and customizing learning for each student.

- c. Aligns the existing power under current law for the Board of Public Education to be able to pull funding for a school district that loses accreditation with the new blended accreditation model under Chapter 55.
9. SECTION 9: Reduces the threshold for when a school district is entitled to an immediate increase for an unusual enrollment from 6% under current law to the lesser of an increase of 4% or 25 ANB. This change also ensures that schools with unusual enrollment increases will receive funding for all additional ANB rather than just those over the threshold.
10. SECTION 10: Extends the date for when ending fund balance and flex fund limits kick in from 2016 to 2020. This changes the law that was created last session in SB 329.
11. SECTION 11: Changes the law so that excess interest and income in state land revenues during an interim gets split 50%-50% tax relief and increased spending for schools (distributed using the Quality Educator Payment from excess interest and income in the Guarantee account at the end of each year). To give you an idea regarding how this works, this change, had it been in effect a couple of years ago, would have brought school districts \$40 million in increased spending and \$40 million in district property tax relief when Otter Creek bonus payments were received by the state.
12. SECTION 12: Amends 20-9-344 to coordinate funding with the Board of Public Education's accreditation standards and to address the distribution of the natural resource development K-12 funding payment and data for achievement payment, which will be distributed in the same manner as other general fund payments.
13. SECTIONS 13 through 23 are all about adding oil and natural gas revenues as a source of bonding capacity. This is the same change upon which Senator Jones and education advocates collaborated in SB 403 last session.
14. SECTION 24: Allows districts with small amounts of oil and gas revenues, in insufficient amounts to address impacts, to qualify for funds out of the state oil and gas impact account. This section also changes the law so that amounts over \$7.5 million go to the guarantee account for distribution as part of the natural gas K-12 payment rather than to the state general fund.
15. SECTION 25: Minor changes to statutory references in the county school oil and natural gas impact fund needed to align with the bill.
16. SECTION 26: Purpose of the Guarantee Account is expanded beyond use as BASE aid to include:
 - a. Capture and distribution of state oil and natural gas production revenues referenced in section 3 overview above, to pay for the Natural Resource Development K-12 Funding Payment;
 - b. Capture and distribution of excess interest and income from state lands as referenced in section 11 overview above. This money gets split 50%-50%, part for tax relief and part to use for facilities repairs and other items. The portion for increased expenditures is distributed on a per quality educator basis and schools must first use the funds they receive to address any key deficiencies in the school facilities study by the DOA and , once those deficiencies have been addressed, for any other purpose allowed for

Flex funds (which is very broad and comparable to any general fund expenditure).

17. SECTION 27: This important purpose provision specifies that the amounts in this bill that allow school districts to increase their previous year's budget authority above inflation are to be used by school districts to implement common core, changes to Chapter 55 and to otherwise enhance efforts at improving academic achievement for students in our public schools. The funding in this bill is at least \$36 million higher than inflation over the biennium, without taking into account any amounts that might be distributed to schools as excess state land revenues over the coming biennium. The ability to increase above inflation for Senator Jones is intrinsically linked to his ability to specify that it be for value added, specifically common core and Chapter 55.
18. Remaining provisions are standard codification instructions, applicability clauses, and effective dates. It is important to note that one of the last sections of the bill refers to provisions in SB 329 from last session. It does not terminate any section of this bill, but simply changes the termination date for sections passed in SB 329 last session from 2016 (as specified in SB 329) to 2020 (as amended by this bill).

Total Rough Approximation of and Summary of Provisions with a Fiscal Impact:

- Section 1 -- K-12 Data Task Force – there is an intent to fund the meetings of this group with a \$100,000 appropriation in HB 2, but there is technically no fiscal impact of this proposal in this bill.
- Section 3 -- State Oil and Gas funds to school guarantee account. Net cost is \$48 million. The details: This spends \$50.2 million in direct state aid but saves \$26.2 million in GTB, for a net cost of \$24 million per year. Property taxes are reduced by approximately \$23.2 million. The median decrease in district general fund mills from a combination of this tax relief and the increased funding of the basic entitlement is 7 mills, although some districts have reductions in excess of 12 mills.
- Section 5:
 - i. The present law costs of increases in the per ANB entitlements is projected to cost \$44.7 million biennial. To be clear, this present law adjustment is really three pieces:
 1. The first is to pay the cost of the settlement on inflation that we attained with the state in FY13 (current biennium) and FY14 and FY15 (next biennium). The total of this portion is \$13.5 million.
 2. The second is the remaining increase in state funding for FY 2014 and FY 2015 above what was spent in FY 2012 to get to the FY 2013 entitlement levels, which was 2.43% higher than in FY 2012, (\$11.2 million); and
 3. The third, which is the only portion that will actually provide new money above FY13 funding levels, is the

increase in state dollars for inflation of 0.89% in FY 2014 and 2.08% in FY 2015. (\$20 million)

- ii. \$11.3 million for the first year costs of phasing in the revised basic entitlement and \$17.3 million in the second year for a total of \$28.6 million over the biennium. The first year savings are intended to help fund the appropriation for OPI to improve its statewide data system. Senator Jones notes that the \$11.3 million increase in year 1 basically brings state aid up to the true levels of calculated inflation that were lost (2%) in the last biennium when the legislature funded 1% and 3% when inflation was calculated at 3% and 3%.
 - iii. The projected cost of implementing a new data for achievement payment is \$2.95 million per year for a total of \$5.9 million biennial.
- Section 7 -- oil and gas revenue allocation changes are expected to cost the state general fund \$28.5 million, \$24 million for local redistribution of funds currently in the state general fund and \$4.5 million for districts that will be able to exceed the 130% cap on oil and gas funds when having an unusual increase in enrollment.
 - Section 8 -- Calculation of ANB will have an undetermined fiscal impact through the new ability of school districts to include pupils in their ANB count who are advancing their learning without satisfying the current seat time requirements. The December ANB count may also be projected to increase costs of the fiscal note estimates that the three way average of ANB from October, December and February will be higher than the two way count in October and February under current law.
 - Section 9 -- Unusual Increase in ANB will have an undetermined fiscal impact through the ability of school districts to get increased funding for unusual enrollment increases that are enhanced compared to current law. Current law requires growth of 6% and allows increased ANB funding only for growth above 6% while this proposal would lower the threshold to the smaller of 4% or 25 students and, once a district reaches that threshold, would allow funding for all increased students.
 - Section 12 -- should not have a fiscal impact in theory because it only allows for a distribution of excess state land revenues to schools when it is above the adopted revenue estimate. The fiscal note will almost certainly note the likelihood of increased funding for schools and may cite the Otter Creek example for illustrative purposes. If this language was in effect when Otter Creek came on line, schools and district property taxpayers would have both received \$40 million each.