



School Funding Interim Commission

69th Montana Legislature

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TO: School Funding Interim Commission (SFIC)
FROM: Commission Staff
RE: Potential Findings and Recommendations discussion
DATE: April 3, 2026

This memo is intended to provide a starting point for the Commission's discussion and includes a collection of potential findings and recommendations. Your work plan includes the task of developing findings and recommendations as part of your Phase II work and specifically for this April meeting the workshopping of potential findings and recommendations and discussion of potential legislation.

The successful school district study is underway and the results of that study will undoubtedly inform the continuation of this discussion at your June meeting.

The list that follows was not based directly on Commission input but was developed by staff based on what the Commission has learned, heard, and discussed over the past 10 months. Again, it should be viewed as a starting point. As you review, contemplate, and discuss this list, some questions to consider include:

- What is not on this list and should be?
- What is on this list and shouldn't be?
- Where did this finding come from? What evidence substantiates it? Is it being heard from multiple sources (ex. Phase I report, stakeholders, public comment, APA, previous SFIC or QSIC or other)?
- For any of these topics and others added by the Commission, what additional information is needed for the Commission's consideration?
- If specific recommendations are desirable and involve statutory changes, does the Commission want to see provisional bill drafts in June? If so, what additional input does the Commission have at this time for those provisional drafts?

This list is organized by *numbered* potential findings which are followed in many cases by *lettered* potential recommendations. Some sets of potential recommendations work in combination; some sets are options where only one works. Again, none of this is exhaustive; it is simply intended to give your conversation a starting point.

Finding – a conclusion reached as a result of an inquiry, investigation, or trial.
(Oxford dictionary)

1. **Constitutional Players and Phase I into the future** – In the last 5 years, through ad hoc gatherings of the “constitutional players”, as well as through the restructuring of SFIC membership and the Phase I efforts of the Innovation and Excellence in Education Working Group, Montana has cultivated a shared vision and shared “inter-entity” effort to ensure a world-class education system in Montana. An ongoing, formalized effort along these lines will ensure this initial effort is sustained.
 - a. Create an Innovation and Excellence in Education Commission with a membership reflecting the Constitutional Players tasked with refining and operationalizing the Phase I report
 - b. Require either the Education Interim Committee or the Education Interim Budget Committee to form a subcommittee each interim with a membership reflecting the Constitutional Players tasked with refining and operationalizing the Phase I report
 - c. Require the Board of Education (the combined Board of Public Education and Board of Regents) to form a working group with a membership reflecting the Constitutional Players tasked with refining and operationalizing the Phase I report (the Board of Education has responsibility for “long-range planning, and for coordinating and evaluating policies and programs for the state's educational systems” under Article X, Section 9(1) of the Montana Constitution)

2. **SFIC statute** – The SFIC statute at 5-20-301, MCA, was revised and amended heavily during the 2025 session. It includes Phase I language only applicable to the 2025-2026 SFIC which could be removed. The Commission could also consider revising the membership and the “aspirational goals” added in 2025.
 - a. Remove Phase I language

3. **Inflationary adjustments** – Montana’s current inflationary adjustment calculations lag real-time inflation due to the 3-year annualization. When inflation exceeds 3% and the legislature does not exercise its authority to exceed the 3% cap on the budgetary starting point (“present law base”) school districts fall behind. Recent changes to 20-9-326 may help prevent this from occurring in the future.
 - a. Make the inflationary adjustment calculation in 20-9-326 more contemporary with current inflation
 - b. Remove the 3% cap on the budgetary starting point (“present law base”)

4. **Sp Ed** – In general, the state special education allowable cost payment has not kept pace with special education cost increases. The federal government has failed to meet its funding target for IDEA. The costs of students with high-cost IEPs are increasingly borne by non-equalized, permissive levies in the tuition fund, with some of this shift due to the erosion of the disproportionate cost reimbursement (DCR) component of the allowable cost payment.
 - a. Increase the allowable cost payment and adjust percentages to direct more money to disproportionate cost reimbursement
 - b. Replace existing DCR mechanism with a “pool” of state money that is available to districts (based on need) to reduce reliance on tuition fund levy
 - c. Encourage the federal government to meet its funding goals for IDEA

5. **School facilities** – with the “supervision and control of schools in each district” being constitutionally vested in local trustees, Montana has a decentralized approach to school facilities with responsibility for construction and upkeep largely falling on local school districts. That said, other provisions of the Montana Constitution (equality of educational opportunity, equitable distribution of “state share”), the definition of “a basic quality system” under 20-9-309, and court decisions requiring some degree of state support for facilities necessitate some state involvement. Inconsistent state support for facilities programs and overall budget pressures at the local level have contributed to a backlog of deferred maintenance in many districts.
 - a. Fund an updated statewide School Facility Condition Inventory to provide all districts an expert-informed list of maintenance priorities and ensure that districts maintain and update this inventory in the future
 - b. Attend to revenue streams that support state facility programs to ensure stable funding and consider providing inflationary adjustments for state facility programs so that the power of the programs does not erode over time

- c. Add a requirement that the School Funding Dashboard (20-9-384) include data on state distributions of facility assistance through the Major Maintenance Aid and Debt Service Assistance programs
6. **Support for small, isolated schools and districts** – Montana’s sparsity and number of small districts creates numerous challenges to ensuring the “equality of educational opportunity”; Montana’s current efforts at resource sharing are more patchwork than systematic.
- a. In examining and revising the school funding formula, consider how to identify and adequately resource small, isolated, and necessary schools and districts and reexamine existing mechanisms for small, non-isolated schools
 - b. Consider newly available data on out-of-district attendance to inform the identification of isolated/non-isolated and/or for the examination of district boundary realignment
 - c. Request an interim study of regionalization of services with a broad coalition of participants
7. **Administrative burden** – Testimony provided by MASBO included a 30-page document detailing the duties of school district clerks and also detailed the high turnover and vacancy rates for these positions. Simplifications to the formula, district fund consolidation, streamlining data collections, district reorganization are possible ways to lessen the administrative burden.
8. **Formula alignment with the definition of “basic system of free quality schools”** – In comparing the funding formula to 20-9-309, MCA, the Commission identified the lack of a state funding *formula* mechanism for three types of students with special needs: a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794 (students with 504 plans); and gifted and talented children.
- a. Create a formula component for English language learners
 - b. Create a formula component for students with 504 plans (or remove from 20-9-309)
 - c. Replace the existing gifted and talented grant program with a formula component

- 9. At-risk students** – Montana’s funding component providing differential funding for economically disadvantaged students is among the lowest in the nation. Economically disadvantaged students have a large achievement gap.
- a. Increase the existing at-risk payment
 - b. Replace the existing at-risk payment with a weighted student component
- 10. Student mental health** – The Commission heard from numerous stakeholders that increasing numbers of students are suffering from mental health problems which often result in misbehavior, truancy, and decreased academic achievement. This is a nationwide trend with multiple contributing factors.
- 11. Regional cost differentials** – While some regional cost-of-living variations have always been present in Montana, these variations and their impacts have become more acute, leading to greater budgetary pressures and/or recruitment and retention difficulties in districts with higher costs of living.
- a. Explore mechanisms for providing regional cost adjustments to the funding formula
- 12. Voted levies** – Rapidly rising residential property values have led to acute property tax fatigue, making districts hesitant to propose, and voters reluctant to approve, voted levies. Districts have become increasingly reliant on these voted levies for a wide variety of needs, including salary increases, technology enhancements, school safety improvements.
- a. Provide more, but capped, permissive levy authority for elected trustees.
- 13. De-coupling state funding from federal** – Rapidly changing federal education policy risks several state-level funding streams, for example the state At-Risk payment is based on federal Title I funding.
- a. Create state funding distribution mechanisms that are insulated from federal funding changes

14. Basic and per-ANB entitlements – The discrepancy in the amounts of these entitlements appears marginally connected to educational costs. There is a nearly \$2,000 difference in the per-ANB entitlement amount between 6th graders and 7th and 8th graders in the same school. The smaller class size limits in the early grades mean higher costs but those students generate the same per-ANB entitlement as elementary students in grades with larger class size limits.

- a. Examine and adjust as necessary the grade-level adjustments for the basic and per-ANB entitlements

15. ANB as a proxy for costs in MT formulas – ANB approximates enrollment. Montana uses ANB as a proxy for costs in multiple calculations within our funding formulas, including as a proxy for retirement costs in the retirement GTB formula and within our debt service assistance formula. This can disadvantage low-enrollment counties and districts.

16. Accentuate the positive; eliminate the negative – Several aspects of Montana’s funding formula are designed in a manner that causes confusion, complication, and the perception of funding being decreased. Two prime examples are the decrement and the way BASE/MAX was designed on 80%/100% of the basic and per-ANB entitlements rather than on 100%/125%.

- a. Eliminate the decrement or replace it with a mechanism that provides positive increments on the per-ANB entitlement for smaller school districts
- b. Revise BASE/MAX to be 100%/125% of the basic and per-ANB entitlement amounts

17. Findings and recs driven by the Successful School District Study – TBD; placeholder