



A Student-Centered Funding Model for Montana's Future **By Doug Reisig, Executive Director, MQEC**

The Quality Assurance Line: Funding Every Child Based on Their Needs

Montana's current school funding model was built for a different time—and a different state. It assumes that funding equality alone ensures educational quality. That assumption no longer holds.

Today, students arrive with diverse needs shaped by poverty, geography, culture, disability, and opportunity gaps. Our system must respond accordingly.

This proposal shifts from funding average school systems → to funding quality learning environments for all students, wherever they may be found.

Why Change Is Necessary

- **Outdated Structure:** The BASE/MAX system no longer reflects the real cost of delivering quality education across Montana.
- **False Adequacy:** The actual level of funding toward which most districts are gravitating depends on voted levies that make or break a district's efforts to provide quality. Constitutional compliance must not be dependent upon passage of a local levy. Adequate funding is a responsibility of the state.
- **False Equity:** Equal funding does not produce equal opportunity—especially in rural, high-poverty, and geographically isolated communities.
- **Instability:** Schools rely on unpredictable levies and shrinking enrollments, creating perpetual cycles of cuts and confusion instead of continuity.

A New Approach: Funding That Follows Student Needs

The **Quality Assurance (QA) Line** ensures every district receives the funding required to deliver a high-quality education—no more, no less—based on real student needs.

Core Principle: Every child is funded according to what it takes for them to succeed—not dependent on the tax base where they live.

How the Formula is Funded

By Lance Melton, Executive Director, MTSBA

Quality is 100% funded through a single legislative appropriation — period.

- As held by the Court in *State ex rel. Woodahl v. Straub*, the Legislature retains full authority over revenue. Income tax, property tax, corporate tax, or any lawful source that it may choose to pass — just like current law. Nothing surrendered. Nothing obscured.
- The only question that matters is “*Did the state fund to the Quality Assurance Line?*” How the state gets there is a policy choice — not an accounting exercise.
- No more fictional “first funding source” tied to state lands as though such funding were on top of, rather than in lieu of state general fund support.
- No random “44.7% direct state aid” amount that the state backed its way into long ago without any educational relevance underpinning the decision.
- No “guaranteed tax base aid” formulas that vary by district and defy explanation.
- No adequacy line set at BASE — where adequacy is anything but.
- No hypothetical maximum budget that can only be reached with a voted levy.
- No more asking local voters to make up for what the state has left to chance.

And for policymakers, no more four-hour explanations leaving you as confused at the end as you were at the beginning and no more systems that only a handful of experts can decipher or explain.

This is funding that can be understood in 30 minutes because it is simple but not simplistic, transparent but not reductive.

Local Control + Innovation are encouraged through a modest Discretionary Funding Enhancement of up to 10%.

- Solely devoted to Innovative Educational Programs as defined in current law.
- Subject to voter approval.
- GTB Subsidized by the State using current mechanisms.

Core Principles:

- The state guarantees quality and funds a system that works—not one that depends on local voters to fix it.
- Local communities drive excellence.

How the Formula is Distributed - 65% Student-Based Foundational Funding

By Rob Watson, Executive Director, SAM

(53%) – Equal Funding to Support Every Student

- No more decrement that takes several hundred dollars per pupil away from the majority of students in our largest school systems:
 - \$400 deficit per ANB, 7-12, for 800+ ANB.
 - In Billings, the decrement costs the high school district over \$2 million per year compared to what would be generated based on the ostensible per ANB payment stated in 20-9-306.
 - \$200 deficit per ANB, P-6, for 1,000+ ANB.
 - In Billings, the decrement costs the elementary district over \$2.4 million per year compared to what would be generated based on the ostensible per ANB payment stated in 20-9-306.
- \$5,000 per student (P-5); \$6,300 per student (6-12).
- Fully state-funded at the QA line.
 - No more maximum budget sticker price in the law that is widely cited but can only be attained if you can pass a cumulative local levy where local property taxpayers end up having to pick up 25% of that amount.
 - Ensures a strong, consistent, transparent and equal foundation statewide, no exceptions, no provisos, no complicated pivot tables.

(12%) Targeted Funding to Support Students with Greater Needs

- The Coalition proposal to invest \$200 million in at-risk funding on top of \$885 million in base funding represents about a 22.6% uplift relative to the base.
- At-risk, American Indian achievement gap, special education, IEFA
 - Consolidated and strengthened into one flexible block
 - Directly addresses barriers to success.

Core Principle: Funding should follow students in a consistent, transparent, and equitable way that guarantees a strong statewide foundation without hidden reductions or local dependency.



How the Formula is Distributed - 23% Investment in Quality Staff to Serve Children

By Shelley Turner, Executive Director, MASBO

- The Quality Educator and Qualified Staff Payment under the Coalition proposal is set at \$15,000.
- A district that qualifies for the STARS Act incentive receives 2X the payment for each quality educator and qualified staff (\$30,000 if you comply).
- STARS Act Incentive is 3x the Quality Educator and Qualified Staff Payment, or \$45,000. This compares more favorably with surrounding states and nationally:
 - Idaho is \$45,717.
 - North Dakota is \$43,734.
 - South Dakota is \$45,530.
 - Wyoming is \$50,214.
- Supports competitive salaries for all educators throughout the state.
- Allows school districts across Montana to recruit and retain quality educators and compete regionally for newly licensed teachers.

Core Principle: A high-quality education system depends on attracting and retaining effective educators through competitive, sustainable, and performance-aligned compensation.

How the Formula is Distributed - 12% School Infrastructure – Achievement-Driven Learning Environments

By Larry Crowder, Executive Director, MREA

- A first entitlement regardless of size that is adequate to serve as a foundational base and preserve and protect quality learning in rural and isolated schools. The first entitlement at a sufficient amount is critical to ensure that schools without access to economies of scale can ensure excellence.
- A second and subsequent entitlement amount that is the same as the first to provide funding at scale for larger districts.
- Funding tied to educationally relevant student groupings and school size.
 - Elementary student groupings of 100.
 - Middle school student groupings of 200.
 - High school student groupings of 400.
- Reflects real operational costs across Montana's geography, including the costs of enhanced technology, instructional support and administrative leadership.

Core Principle: Every school—regardless of size or location—must be supported with infrastructure funding that reflects real costs and enables high-quality learning environments.

Why This Proposal Matters for Montana

Familiarity and Support Will Ease Implementation

- The Coalition Proposal represents a bold but familiar, evolutionary change that removes the flaws from the current formula.
- The Proposal is supported by each of the groups partnering in the Coalition of Advocates for Montana's Public Schools.
- By using but fixing current funding elements, the proposal will ease administrative burdens of implementation and ensure common understanding at the state and local level.

Geography Demands Flexibility

- Montana is one of the most rural states in the nation. Small, isolated districts face:
 - Higher transportation and staffing costs.
 - Limited economies of scale.
 - Greater volatility from enrollment changes.
- **This model stabilizes those schools instead of penalizing them.**

2. Student Needs Are Not Uniform

- A one-size formula ignores:
 - Poverty and at-risk populations.
 - Cultural and tribal education needs.
 - Special education requirements.
- **This model directly funds those realities.**

3. Stability Creates Excellence

- When schools are forced into constant budget uncertainty:
 - Programs are cut.
 - Morale suffers.
 - Staff leave.
 - Innovation stalls.
- When schools are funded stably and predictably, schools can:
 - Plan long-term.
 - Invest in staff.
 - Deliver consistent, high-quality education.



The Bottom Line

This proposal provides key commitments:

- ✓ **Protect** rural and community schools
- ✓ **Preserve** equitable opportunity for every child
- ✓ **Provide** stable, high-quality learning environments statewide.

A Better System for Every Montana Student

By aligning funding with **actual student needs**, Montana can:

- Close achievement gaps.
- Strengthen rural communities.
- Support educators.
- Deliver consistent excellence across all schools.



Appendix - Constitutional, Statutory, and Research Alignment of the Coalition Proposal

I. Constitutional Foundation and Judicial Interpretation

A. Montana Constitution.

Article X, Section 1 of the Montana Constitution provides:

“It is the goal of the people to establish a system of education which will develop the full educational potential of each person.”.

“The legislature shall provide a basic system of free quality public elementary and secondary schools.”.

“Equality of educational opportunity is guaranteed to each person of the state.”.

Mont. Const. art. X, § 1(1), (3).

These provisions impose an **affirmative, non-discretionary duty** on the State.

B. Columbia Falls v. State

In *Columbia Falls Elementary School District No. 6 v. State*, the Montana Supreme Court held:

1. The Legislature must **define** the “basic system of free quality public schools”.
2. The State must **fund that system at a level sufficient to meet that definition**.
3. Funding must be:
 1. **Adequate.**
 2. **Equitable.**
 3. **Cost-based.**

The Court rejected systems that:

1. depend on local voter approval to achieve adequacy.
2. impose funding caps disconnected from actual costs.
3. create systemic inequities among districts.



The Coalition proposal is structured to directly address these constitutional requirements and to resolve flaws in the current formula while preserving the remaining structure that is constitutionally sound.

II. Relationship to the State's Share (MCA 20-9-306)

MCA 20-9-306 defines the **State's Share** of school funding.

Mont. Code Ann. § 20-9-306

This includes:

1. General fund BASE aid.
 2. Direct state aid.
 3. Special education funding.
 4. At-risk and other targeted funding.
 5. Additional complementary funding streams.
-

A. Coalition Structural Approach

The Coalition proposal:

1. **Reforms only the flawed elements of the General Fund formula.**
 2. Leaves intact all **other elements of the State's Share**, including:
 1. Transportation funding (Title 20, Ch. 10).
 2. Major maintenance aid (Mont. Code Ann. § 20-9-525 et seq.).
 3. Adult education (Mont. Code Ann. § 20-7-701 et seq.).
 4. Advanced opportunities (Mont. Code Ann. § 20-7-1506).
 5. Other existing funding mechanisms not expressly modified.
-

B. Constitutional Implication

The Coalition proposal is premised on the following:



When combined with existing complementary components of the State’s Share as defined in § 20-9-306, the proposed General Fund formula provides a constitutionally sufficient system of operational funding.

This approach:

1. aligns with the Court’s requirement that the **system as a whole** be sufficient.
2. avoids unnecessary disruption of functioning programs.
3. demonstrates **targeted reform rather than wholesale replacement**.

III. Statutory Alignment: MCA 20-9-309

MCA 20-9-309 defines the “basic system of free quality public schools.”.

Mont. Code Ann. § 20-9-309

The Coalition proposal aligns with each component as follows:

1. Equality of Educational Opportunity

§ 20-9-309(1).

Requirement: Equal opportunity for all students.

Coalition Alignment (Handout Elements):

1. **Quality Assurance (QA) Line** establishes a **state-guaranteed funding level**.
2. Eliminates reliance on local levies for adequacy.
3. Reduces disparities tied to local tax base variation.

Constitutional Effect:

Addresses inequities identified in *Columbia Falls*, 2005 MT 69.

Research Support:

1. Adequate and equitable funding improves outcomes, especially in high-poverty districts
Bruce D. Baker, *How Money Matters for Schools*, Learning Policy Inst. (2018).

2. Accreditation-Based Program

§ 20-9-309(2)(a).

Requirement: Educational program meeting accreditation standards.

Coalition Alignment:

1. QA Line funds the **actual cost of delivering quality education.**
2. Moves beyond minimum compliance toward full program support.

Statutory Context:

Accreditation standards represent minimum requirements, not full adequacy.
See Mont. Code Ann. § 20-7-111.

3. Students with Special Needs

§ 20-9-309(2)(b).

Requirement: Programs for:

1. At-risk students.
2. Students with disabilities.
3. Limited English proficiency.
4. Gifted and talented students.

Coalition Alignment:

1. **Targeted funding block (~22.6%)** supports:
 1. At-risk students.
 2. Special education.
 3. American Indian students.
 4. IEFA.
-

Research Alignment (Causal Evidence).

“A 22.7 percent increase in per-pupil spending throughout all 12 school-age years... is large enough to eliminate the education gap between children from low-income and non-poor families.” .

C. Kirabo Jackson, Rucker C. Johnson & Claudia Persico, *The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms*, 131 Q.J. Econ. 157, 193–94 (2016).

Policy Interpretation

1. National practice commonly applies **additional funding weights in the 20–25% range** Learning Policy Inst., *How States Fund Students with Disabilities and Other Special Needs* (2024).
 2. The Coalition ~22.6% allocation:
 1. aligns with **observed policy practice**, and.
 2. reflects **empirically supported investment levels**.
-

4. American Indian Education

§ 20-9-309(2)(c)

Requirement: Incorporation of American Indian cultural heritage.

Coalition Alignment:

1. Explicit funding for:
 1. IEFA.
 2. American Indian achievement gap.

Authority:

Mont. Const. art. X, § 1(2).

5. Qualified Educators

§ 20-9-309(2)(d).

Requirement: Qualified and effective teachers and staff.

Coalition Alignment (Handout Elements):

1. **Quality Educator Payment (QEP).**
 2. Addresses recruitment and retention.
-

Research Support

1. Teacher compensation significantly affects workforce quality and outcomes
Sylvia A. Allegretto, *The Teacher Pay Penalty Reached a Record High in 2024*, Econ. Policy Inst. (2025).
 2. Salary increases linked to improved student outcomes (e.g., New Jersey reforms).
-

6. Facilities and Technology

§ 20-9-309(2)(e).

Requirement: Facilities and distance-learning technologies.

Coalition Alignment:

1. Infrastructure component (~12%) includes:
 1. technology.
 2. instructional support.
 3. geographic cost factors.
 4. school grouping structures.
-

Research Support

1. Rural schools require additional resources due to diseconomies of scale
Marty Strange, *Equitable and Adequate Funding for Rural Schools*, 82 Neb. L. Rev. 81 (2003).
-

7. Transportation

§ 20-9-309(2)(f).

Requirement: Transportation must be included.

Coalition Alignment:

1. Transportation funding remains unchanged and continues under existing law.

Authority:

See Mont. Code Ann. tit. 20, Ch. 10.

8. Student Achievement Assessment

§ 20-9-309(2)(g).

Requirement: Mechanisms to assess and track achievement.

Coalition Alignment:

1. Operates within existing statewide accountability systems.
-

9. Local Control

§ 20-9-309(2)(h).

Requirement: Preserve local control.

Coalition Alignment (Handout Elements):

1. **Discretionary Funding Enhancement (DFE).**
 2. Local voter-approved flexibility.
-

10. Cost-Based Funding and Sustainability

§ 20-9-309(4)

Requirement:

1. Funding must reflect costs.
2. Must be sustainable and equitable.
3. Must allow flexibility with accountability.

Coalition Alignment:

1. QA Line reflects cost of quality education.
 2. Adjusts for:
 1. student need.
 2. geography.
 3. school size.
 3. Consolidates fragmented funding streams.
-

IV. Preservation of Existing Funding Streams

The Coalition proposal **does not modify**:

1. Transportation funding (Title 20, Ch. 10).
2. Major maintenance aid (§ 20-9-525 et seq.).
3. Adult education (§ 20-7-701 et seq.).
4. Advanced opportunities (§ 20-7-1506).
5. Other existing formula elements not explicitly addressed.

These remain part of the **State's Share** and continue to satisfy statutory requirements.

V. Addressing Constitutional Deficiencies Identified in Columbia Falls.

Issue	Current System	Coalition Proposal
Adequacy	Dependent on local levies	State-guaranteed QA Line
Equity	Driven by tax base disparities	Equalized statewide
Cost alignment	BASE/MAX caps not cost-based	Cost-driven formula
Stability	Requires repeated voter approval	Predictable funding

VI. Research Foundation

A. Causal Evidence on School Funding

1. Increased funding leads to:
 1. improved achievement.
 2. higher graduation rates.
 3. increased earnings
 Jackson et al., 131 Q.J. Econ. 157 (2016).

B. Scale of Investment Required

1. ~22% sustained increase eliminates achievement gaps .

C. National Policy Practice

1. Most states provide additional funding for at-risk students.
2. Many apply **20–25% weights**
Learning Policy Inst. (2024).

D. Teacher Labor Market Evidence

1. Significant pay gap between teachers and comparable professionals
Allegretto (2025).

E. Rural Cost Factors

1. Geographic isolation increases cost of education delivery
Strange, 82 Neb. L. Rev. 81 (2003).
-

VII. Conclusion

The Coalition proposal:

1. **Implements the constitutional mandate** of Article X, Section 1.
2. **Conforms to the statutory definition** in MCA 20-9-309.
3. **Operates within the State's Share** under MCA 20-9-306.
4. **Preserves existing complementary funding streams.**
5. **Aligns with the best available empirical research.**

Consistent with *Columbia Falls*, the proposal ensures that:

The State funds a system that is not merely present, but sufficient to provide a **quality education for every student.**