HOUSE BILL NO. 29

INTRODUCED BY E. MATTHEWS

BY REQUEST OF THE SCHOOL FUNDING INTERIM COMMISSION

A BILL FOR AN ACT ENTITLED: “AN ACT GENERALLY REVISING THE STATUTORY REQUIREMENTS RELATED TO THE SCHOOL FUNDING INTERIM COMMISSION; CLARIFYING THE DUTIES OF THE COMMISSION; REQUIRING THE COMMISSION TO BE FORMED IN THE 2027-2028 INTERIM AND THEN EVERY 6 YEARS; REQUIRING THE COMMISSION TO SEEK INPUT FROM PARENTS AND STUDENTS; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 5-20-301 AND 20-9-309, MCA; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE.”

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 5-20-301, MCA, is amended to read:

"**5-20-301. School funding interim commission.** (1) There is a school funding interim commission that must be formed during the ~~2015-2016~~ 2027-2028 interim and each successive ~~fifth~~ third interim pursuant to 20-9-309. The commission shall:

(a) ~~conduct a study to reassess~~ review the educational needs and assess the costs related to the basic system of free quality public elementary and secondary schools;

(b) evaluate whether the existing state school funding formula adequately addresses the educational needs and costs of the public school system; and

~~(b)~~ (c) if necessary, recommend ~~to the following legislature~~ changes to the state's funding formula to the next legislature.~~;~~

~~(c)~~ (2) ~~in considering~~ If the commission recommends changes to the funding formula or ~~in~~ recommends designing a new funding formula, the commission shall strive ~~for a~~ to develop a funding formula that:

~~(i)~~(a) is understandable, transparent, and equitable, including adjustments for student needs, district characteristics, and local property wealth disparities;

~~(ii)~~(b) utilizes revenue sources that are stable and predictable;

~~(iii)~~(c) prioritizes funding the education of children in the current year~~,~~ and does not simply ~~funding~~ fund a system of schools based on prior year enrollment;

~~(iv)~~(d) reduces administrative burdens and costs and drives funding toward classroom instruction;

~~(v)~~(e) allows for parental choice within an expanded public education system;

~~(vi)~~(f) eliminates the need for tuition payments between school districts;

~~(vii)~~(g) minimizes property tax impacts related to the reappraisal cycle; and

~~(viii)~~(h) incorporates free market principles where appropriate and rewards school districts based on student academic growth, achievement, and proficiency rather than head counts and seat time~~; and~~

~~(d) for the commission formed during the 2025-2026 interim, prior to conducting the study under subsection (1)(a), form an innovation and excellence in education working group to develop recommendations, objectives, and an implementation plan as described in subsection (10) to improve the basic system of free, quality, public elementary and secondary schools~~.

(3) (a) The commission that is formed during the 2027-2028 interim shall continue the work from the 2025-2026 interim to determine what is necessary for implementation of a significant redesign of the school funding formula. The commission shall:

(i) use the findings and recommendations from the 2025-2026 commission final report as the starting point for the commission's work;

(ii) perform additional research that the commission finds necessary; and

(iii) make recommendations, including proposed legislation, to the 2029 legislature for a significant redesign of the school funding formula.

(b) The commission may contract with a reputable national organization to conduct further research into the actual costs of funding the public school system and to assist with the proposed school funding formula redesign.

~~(2)~~ (4) In ~~conducting the study~~ evaluating the educational needs and costs of the public school system, the commission may:

(a) review the work of previous studies and commissions;

(b) review the final reports and consider any findings and conclusions, recommendations, and

topics provided by other interim or standing legislative committees, the board of public education, the office of public instruction, the governor's office, private organizations, professional educators, school trustees, and members of the public;

(c) review how the state's education funding policy has evolved as a result of litigation;

(d) seek input from representatives from the board of public education, the office of public instruction, the governor's office, private organizations, professional educators, school trustees, parents, students, and members of the public;

(e) consider the state's existing and projected financial resources as well as the needs and concerns of Montana taxpayers;

(f) authorize research and studies to be conducted by reputable and reliable experts in the public or private sectors; and

(g) request research and analysis from the legislative fiscal division, the office of public instruction, the department of revenue, and any other state agency or entity that maintains information or data relevant to the study.

~~(3)~~ (5) The members of the commission are:

(a) six members of the house of representatives, three from the majority party and three from the minority party, appointed by the speaker of the house in consultation with the house majority leader and the house minority leader;

(b) six members of the senate, three from the majority party and three from the minority party, appointed by the president of the senate in consultation with the senate majority leader and the senate minority leader;

(c) four members of the public to be appointed as follows:

(i) two public members appointed by the speaker of the house with the consent of the house minority leader; and

(ii) two public members appointed by the president of the senate with the consent of the senate minority leader;

(d) the presiding officer of the board of public education or the presiding officer's designee;

(e) the superintendent of public instruction or the superintendent's designee;

(f) the presiding officer of the board of regents of higher education or the presiding officer's designee; and

(g) the governor or the governor's designee.

~~(4)~~ (6) Appointments to the commission must be made by May 1 in a year the commission is to form, pursuant to subsection (1).

~~(5)~~ (7) The commission shall select its presiding officer and vice presiding officer, who must be legislators, at the first meeting of the commission.

~~(6)~~ (8) The commission is attached for administrative purposes to the legislative services division, and the legislative services division shall provide sufficient and appropriate support to the commission in order that it may carry out its statutory duties, within the limitations of legislative appropriations.

~~(7)~~ (9) The commission is staffed by the legislative services division. The legislative fiscal analyst shall assign staff to assist the commission.

~~(8)~~ (10) The commission shall issue a report to the legislature in accordance with 5-11-210 on the commission's findings and recommendations, including any draft legislation for amending the state school funding formula.

~~(9)~~ (11) (a) Legislative members must be compensated as provided in 5-2-302.

(b) Unless the person is a full-time salaried officer or employee of the state or a political subdivision of the state, a nonlegislative member appointed to the commission is entitled to salary and expenses ~~to the same extent as a legislative member~~ as provided in 5-2-302. If the ~~appointee~~ nonlegislative member is a full-time salaried officer or employee of the state or of a political subdivision of the state, the ~~appointee~~ member is entitled to reimbursement for travel expenses as provided for in 2-18-501 through 2-18-503.

~~(10) (a) The innovation and excellence in education working group is composed of the commission and others as determined by the commission. The commission shall include representation from teachers, school administrators, school trustees, and parent advocacy groups in forming the working group.~~

~~(b) The innovation and excellence in education working group shall:~~

~~(i) conduct a benchmarking or gap analysis study comparing the education policies of Montana to the education policies of high-performing international and domestic education systems or review a similar~~

~~analysis conducted for another state;~~

~~(ii) develop recommendations to adapt the appropriate education policies of high-performing education systems for the public education system in Montana;~~

~~(iii) identify objectives to put the education performance of pupils in Montana in parity with that of pupils in high-performing education systems and make recommendations on how to meet the identified objectives;~~

~~(iv) develop an implementation plan for the recommendations made pursuant to this subsection (10)(b), which includes an analysis of the costs of the plan; and~~

~~(v) publish its recommendations and implementation plan no later than January 30, 2026.~~

~~(c) The innovation and excellence in education working group may contract with a reputable national organization to support the working group's efforts under this subsection (10).~~"

Section 2. Section 20-9-309, MCA, is amended to read:

"**20-9-309. Basic system of free quality public elementary and secondary schools defined -- identifying educationally relevant factors -- establishment of funding formula and budgetary structure -- legislative review.** (1) Pursuant to Article X, section 1, of the Montana constitution, the legislature is required to provide a basic system of free quality public elementary and secondary schools throughout the state of Montana that will guarantee equality of educational opportunity to all.

(2) As used in this section, a "basic system of free quality public elementary and secondary schools" means:

(a) the educational program specified by the accreditation standards provided for in 20-7-111, which represent the minimum standards upon which a basic system of free quality public elementary and secondary schools is built;

(b) educational programs to provide for students with special needs, such as:

(i) a child with a disability, as defined in 20-7-401;

(ii) an at-risk student;

(iii) a student with limited English proficiency;

(iv) a child who is qualified for services under 29 U.S.C. 794; and

(v) gifted and talented children, as defined in 20-7-901;

(c) educational programs to implement the provisions of Article X, section 1(2), of the Montana constitution and Title 20, chapter 1, part 5, through development of curricula designed to integrate the distinct and unique cultural heritage of American Indians into the curricula, with particular emphasis on Montana Indians;

(d) qualified and effective teachers or administrators and qualified staff to implement the programs in subsections (2)(a) through (2)(c);

(e) facilities and distance learning technologies associated with meeting the accreditation standards;

(f) transportation of students pursuant to Title 20, chapter 10;

(g) a procedure to assess and track student achievement in the programs established pursuant to subsections (2)(a) through (2)(c); and

(h) preservation of local control of schools in each district vested in a board of trustees pursuant to Article X, section 8, of the Montana constitution.

(3) In developing a mechanism to fund the basic system of free quality public elementary and secondary schools and in making adjustments to the funding formula, the legislature shall, at a minimum, consider the following educationally relevant factors:

(a) the number of students in a district;

(b) the needs of isolated schools with low population density;

(c) the needs of urban schools with high population density;

(d) the needs of students with special needs, such as a child with a disability, an at-risk student, a student with limited English proficiency, a child who is qualified for services under 29 U.S.C. 794, and gifted and talented children;

(e) the needs of American Indian students; and

(f) the ability of school districts to attract and retain qualified educators and other personnel.

(4) The legislature shall:

(a) determine the costs of providing the basic system of free quality public elementary and secondary schools;

(b) establish a funding formula that:

(i) is based on the definition of a basic system of free quality public elementary and secondary schools and reflects the costs associated with providing that system as determined in subsection (4)(a);

(ii) allows the legislature to adjust the funding formula based on the educationally relevant factors identified in this section;

(iii) is self-executing and includes a mechanism for annual inflationary adjustments;

(iv) is based on state laws;

(v) is based on federal education laws consistent with Montana's constitution and laws; and

(vi) distributes to school districts in an equitable manner the state's share of the costs of the basic system of free quality public elementary and secondary schools; and

(c) consolidate the budgetary fund structure to create the number and types of funds necessary to provide school districts with the greatest budgetary flexibility while ensuring accountability and efficiency.

(5) At least every ~~10~~ 6 years, the legislature shall form the school funding interim commission pursuant to 5-20-301 for the purpose of reassessing the state's school funding formula."

NEW SECTION. **Section 3. Appropriation.** (1) There is appropriated $300,000 from the general fund to the legislative services division for the biennium beginning July 1, 2027, for the purpose of convening the school funding interim commission under [section 1].

(2) The legislature intends that this is a one-time-only appropriation.

NEW SECTION. **Section 4. Effective date.** [This act] is effective July 1, 2027.

NEW SECTION. **Section 5. Termination.** [Section 1(3)] terminates June 30, 2029.

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