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John G. Campbell
July 9, 1970

A LEGISLATIVE AND FINANCIAL HISTORY OF THE
MONTANA SCHOOL FOUNDATION PROGRAM

(1949-1969)

by

JOHN PAUL CAMPBELL

A professional paper submitted to the Graduate
Faculty in partial fulfillment of
the requirements for the degree

of

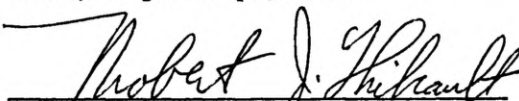
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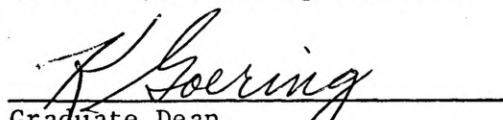
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ABSTRACT

The purpose of this professional paper was to record the legislative and financial history of the Montana school foundation program. The foundation program is a method of financing a district's minimum educational program. The period of time incorporated in this paper includes the pre-enactment activities, the enactment of the Foundation Program Act in 1949 (Thirty-First Legislative Assembly) and concludes with the legislative amendments by the Forty-First Legislative Assembly in 1969.

The research technique used for this paper was a detailed survey of the Laws, Resolutions, and Memorials of the State of Montana, the biennial reports of the Superintendent of Public Instruction, the reports of two committees assigned to study Montana school finance, and unpublished material from the files of the superintendent of Public Instruction.

This professional paper reports the legislative and financial history of the Montana school foundation program in several ways. In order to provide a background for the foundation program, the activities preceeding the enactment of the Foundation Program Act have been explained. To develop an understanding of the principles and procedures of financing education under the foundation program, the originally enacted foundation program has been described in detail and each legislative modification was explained in terms of how it revised the original enactment. Since the foundation program has incorporated several variable elements, each element was explained in detail and its financial history was discussed to point out financial trend and its effect upon the financing of the foundation program. The proper perspective of the foundation program in the total Montana school finance structure has been shown by an explanation of the Montana school finance structure, especially the general fund, in relationship to the foundation program. The writer analyzes the legislative action of each legislative assembly in relation to the then current financial status of the foundation program and presents conclusions regarding the outcome of such legislative action.

This professional paper has compared the characteristics of the Montana foundation program with the model characteristics of a foundation program developed by nationally recognized authorities on school finance. The conclusion of this comparison was that the Montana foundation program compares favorably with the model characteristics with the exception of the continual evaluation characteristic. Since this professional paper has presented a chronicle of the legislative action and financial data on the foundation program, it may serve as a basic instrument for future evaluation of the foundation program.

CHAPTER I

INTRODUCTION

I. PURPOSE OF THE STUDY

The purpose of this study is to record the legislative and financial history of Montana's school foundation program since its enabling legislation in 1949. The recent Forty-First Legislative Assembly (1969) was the tenth legislative assembly since the foundation program enactment and the fiscal year 1968-69 was the twentieth year of financing schools under it.

Published material about Montana's school foundation program is sparse (see Source of Information and Data in this chapter). The information that is available is incorporated in legal publications and public officials' reports. These publications provide the necessary legal and financial information about the foundation program but no published material is available that presents this information under one cover.

A compilation of the legislative action and financial data is paramount to an analysis of the effect of the foundation program in financing education. Since no compilation of this data has been made, no financial operation or legislative action analysis of the foundation program has been made.

Another consideration of this study is the comparability of Montana's school foundation program with nationally recognized characteristics of a model school foundation program. Most states in the nation have a foundation program for financing their schools. The major common factor of the various state foundation programs is the lack of uniformity among them. Therefore, a comparison of Montana's school foundation program can best be based on a comparison to nationally recognized characteristics of a model foundation program.

In view of the conditions related to the Montana school foundation program, this study will provide: (1) a compilation of the legislative action and financial operation of the foundation program on a chronological basis since its enactment in 1949, (2) an analysis of legislative action and financial operation of the foundation program for a similar period of time, and (3) a comparison of the Montana school foundation program with nationally established characteristics of a foundation program.

II. ORGANIZATION OF THE STUDY

This paper will provide the reader with a compilation, in a chronological order, of the legislative enactment of the Montana school foundation program and the various modifications of the original enactment by legislative amendments. Concurrently, a compilation of the financial operation of the foundation program will be presented. In order to develop this compilation on an understandable basis, the

national background of the foundation program method of financing schools will be discussed and the background to the enactment of Montana's foundation program will be presented. An analysis will then be made of the legislative action in relation to the financial operation of the foundation program.

The comparison of Montana's school foundation program with nationally established characteristics will be made by presenting the national characteristics at the outset of the reported study and comparing them with the Montana foundation program after the development and analysis of its characteristics.

III. SOURCE OF INFORMATION AND DATA

It has already been explained that information about the Montana school foundation program is not readily available. The Montana Revised Codes, 1947, with cumulative supplements provide the statutes governing the operation and administration of the foundation program. However, in order to develop a chronological sequence of the legislative enactment of the foundation program and its subsequent modifications, the Laws, Resolutions, and Memorials of the State of Montana for each legislative assembly must be consulted.

Financial data on the foundation program are reported in the Superintendent of Public Instruction's biennial reports but never on a historic basis. Thus, each biennial report has been consulted to develop the compilations of financial data.

Two studies of the foundation program have been made by state government committees. The first was instrumental in the enactment of the foundation program. The second was requested by the legislature for modification of the foundation program in 1961. The reports of both committees have been reviewed and are an integral part of this paper.

Various important facts that must be incorporated in a complete reporting of a history of Montana's school foundation program have not been published. These facts have been researched by reviewing the files of the Superintendent of Public Instruction, interviewing the appropriate persons, and consulting unpublished materials.

IV. DEFINITIONS OF TERMS

The Montana school foundation program, like most subjects dealing with a specific process, has a terminology peculiar in itself. In order to establish a basis for the discussion of the foundation program in this paper, definitions of foundation program terms used in this paper are provided below from the Handbook of Montana School Finance and Statistics. (4:Topic 1, 1-4)

ANB. Average Number Belonging; roughly comparable to enrollment; accurately, the number which results from the application of a statutory formula to the enrollment, attendance and absence during the school term.

Budget. An annual authorization to incur expenses up to a stated maximum, to receive revenues and to disburse revenues up to the stated maximum; . . .

Equalization. Used with reference to school finance, meaning theoretical uniformity in the support of a basic educational

standard through the application of state and county resources in such a manner as to place school districts on an equal basis financially; . . .

County Equalization. The distribution of county school revenues to districts for the support of the Foundation Program in accordance with a statutory formula.

State Equalization. The distribution of state school revenue to counties for allocation to districts for the support of the Foundation Program in accordance with a statutory formula.

Foundation Program. 'The amount required to operate and maintain an adequate and efficient school . . . ' according to specified revenue schedules. (75-3611.) In practice, that portion of the school budget within the General Fund which is determined by the statutory Foundation Program for minimum expenditures for schools in each enrollment category.

Fund. A sum of money systematically collected to meet the expenses of a specific activity.

Interest and Income. See State Permanent School Fund.

Levy. Used synonymously with property tax.

Mandatory Levy. A tax obligatory on the district (or county) which is levied without special authorization by the taxpayers.

Permissive Levy. A tax which may be levied without special authorization by the taxpayers, to provide revenue for the expenses of the General Fund budget above the Foundation Program, up to a maximum which is fixed by law.

Voted Levy. A tax authorized by special vote of the taxpayers of the district.

School Census. An enumeration of all individuals between the ages of six and twenty-one years residing in each school district on October 1 of each year. The census is taken by the District Clerk and is the basis for allocating Interest and Income.

State Deficiency. The amount by which the available state equalization is inadequate to meet the state's obligation to complete the financing of all Foundation Programs, after taking into account all other revenues available for the Foundation Programs, including county levies and Interest and Income.

State Permanent School Fund. A fund originating with the grant of lands by the United States for the support of the elementary schools; contributed to also by other constitutional and statutory sources. In usage, Permanent Fund often refers not only to that actual amount in the Montana Trust and Legacy Fund which belongs to the schools, but also to the school lands themselves as a permanent source of revenue. The principal of the Permanent School Fund may not be expended or diverted; it is invested through the Montana Trust and Legacy Fund for the permanent benefit of the schools. Any revenue from the sale of the lands granted for school support must be deposited in the Permanent Fund. Ninety-five per cent of the interest received on the investments of the Permanent School Fund, and 95% of the income derived from the leasing of school lands must be apportioned annually to the school districts in proportion to the school census; this money constitutes the Interest and Income which is the first revenue for the budget requirements of the elementary schools.

CHAPTER II

NATIONAL BACKGROUND FOR THE MONTANA FOUNDATION PROGRAM

Montana is not exclusive in having a foundation program plan for the financing of its schools. Over forty states in the United States have some type of foundation program plan. (18:516) The development of foundation program concepts of financing schools on a national level is a never-ending pursuit. Montana's foundation program is a derivative of these national concepts.

I. STATE FINANCIAL ASSISTANCE BEFORE FOUNDATION PROGRAM CONCEPTS

The national development of state financial aid to schools is analogous with the development of statehood in the United States. The states acquiring statehood in the eighteenth century depended largely upon local property taxation for the support of schools and provided a small amount of state aid. Those states gaining statehood in the first half of the nineteenth century provided somewhat more state financial assistance and those in the period of 1850-1900 established still higher rates of state aid. With the development of state aid systems over such a long duration of time, there was no uniformity of state aid systems other than the fact that they were overly responsive to the condition of the economy of the nation. In inflationary periods, the financing of schools allowed the expansion of school support and, in depression periods, the financial support of schools was reduced.

A better partnership of financing between the state and local governments was necessary to provide a more even flow of financing. (19:193-197)

II. NATIONAL FOUNDATION PROGRAM CONCEPTS

Cubberley.

At the turn of the century, Ellwood P. Cubberley made the first extensive analysis of the state aid practices of several states. Mort and coauthors (19:199 & 200) have described his study as, "In reviewing these conditions he came forward with what he considered to be the major activating principles that had emerged--equalization and reward for effort. Finding these simple principles in the maze of school practices, he made them available to the educational world and the American people." Thus Cubberley conceived one of the major features of the foundation programs in several states--equalization. He proposed that state financing be made available to the economically backward school districts to equalize the financial effort made by all school districts in the state. (19:199-202)

Strayer and Haig.

In the 1920's, George D. Strayer and Robert M. Haig studied the development of state aid systems through an Educational Finance Inquiry (1921 to 1924). An outgrowth of their study was an expansion on Cubberley's equalization proposal. Strayer and Haig proposed the "equalization of educational opportunity." Their method of equalizing the educational opportunity of each child in a state was to establish a

minimum financial program in each school district and, on the basis of this program, equalize the cost of providing such a program on a uniform statewide taxation basis with financing being provided at both the state and local levels. (19:202-208)

Strayer and Haig's proposal to finance a minimum educational program to afford each child in a state a minimum educational opportunity is the basis for the present-day foundation program. (18:511)

Updegraff.

At the same time Strayer and Haig were proposing the equalization of a minimum education program, another proposal was made by Harlan Updegraff. He proposed the payment-for-effort principle. Under this principle, the effort of a school district was measured in terms of its tax rate. The amount of the state aid that a school district received was dependent upon how its tax rate compared with the average tax rate of the other school districts in the state. Since the economically backward school district would make the least tax effort, Updegraff's proposal did not have an equalizing effect. (19:208-209)

Morrison.

In 1930, Henry C. Morrison made a proposal for the financing of schools. His proposal was based on the theory that when the costs of operating schools were brought to an established standard through equalization, then all schools would be financed alike. Expanding on this theory, Morrison proposed that the state finance the total cost of schools. (19:209)

Mort.

Paul R. Mort has been the latest generally recognized school finance authority to advance concepts in the area of state aid distribution and the foundation program. He, along with Strayer and Haig, are the fathers of the modern-day foundation program. (18:511)

Mort proposes the development of a foundation program by an analysis of the state aid system that takes into account the net provision for equalization, special problems of taxation, and local initiative. In referring to equalization, Mort is not limiting his reference to those school districts with a lesser ability to finance schools but, in addition, is proposing equalization of tax effort between tax bases (state and local) and the taxes for the support of all public services within the state which use the same tax bases. He also emphasizes the need to maintain local responsibility in educational matters by requiring financial effort of the local school district. (19:210-215)

III. CHARACTERISTICS OF A DEFENSIBLE FOUNDATION PROGRAM

The conceptual proposals of Cubberley, Strayer and Haig, and Mort have provided bases for great strides in the development of systems of state-aid distribution and foundation programs. In spite of this, the uniformity of these systems has not improved since Cubberley's time. In fact, not all of the fifty states have adopted a foundation program. (18:516) Mort and coauthors (19:215-219) have broken the classification of state-aid distribution systems into seven areas in order to cover the

continuum of systems and qualify their classifications by stating that they are classified by superficial characteristics. Their areas include (1) flat grants only--ability disregarded, (2) flat grants plus equalization--flat grant greater, (3) flat grants plus equalization--equalization greater, (4) flat grants nullified in equalization distribution--flat grant greater, (5) flat grants nullified in equalization distribution--equalization greater, (6) equalization plus minimum guarantee, and (7) equalization--no minimum guarantee except incentive aids in most cases. This breakdown by Mort is self-evident as to the great diversity of types of systems in operation in the fifty states.

In view of this lack of uniformity in the practiced systems of state-aid distribution and the foundation program, a comparison of Montana's foundation program with another state or states' foundation programs would not be very productive. A more meaningful comparison can be made to characteristics of a model foundation program that has resulted from an analysis of several states' foundation programs. Such characteristics have been developed by Morphet and coauthors. (18:511 & 512) These characteristics have been called "the characteristics of a defensible foundation program." They are presented below for the reference of the reader of this paper and for a later comparison by the writer.

1. The plan of financial support for schools in each state should be designed to assure a foundation program providing essential, reasonably adequate, and well-rounded educational opportunities for all who should benefit from public education.
2. The foundation program should be supported by an equitable combination of funds from local, state, and, insofar as applicable, federal sources; it should constitute a bona fide partnership plan.

3. Each school district (or district and county) should be expected and required to make the same minimum local effort toward financing the foundation program.
4. The state should provide for each district on an objective basis, the difference between the funds available from the required, uniform, minimum tax effort and the cost of the foundation program.
5. The plan for financing the foundation program should assure reasonable equity for all taxpayers.
6. The educational and financial provisions for the foundation program should encourage sound and efficient organization, administration, and operation of local school districts and schools.
7. The foundation program plan should provide maximum opportunity and encouragement for the development and exercise of local leadership and responsibility in education.
8. The citizens of each local school system should be authorized and encouraged to provide and finance such educational opportunities beyond the foundation program as they desire.
9. The foundation program plan should be cooperatively developed by representative citizens who have a genuine interest in and concern about public education.
10. The program and procedures should emphasize continuous evaluation and sound, long-range planning.

CHAPTER III

PRE-ENACTMENT HISTORY OF FOUNDATION PROGRAM

The enabling legislation for Montana's foundation program was enacted as the Foundation Program Act by the Thirty-First Legislative Assembly in 1949. (26:473-491) As in all cases of implementing revolutionary legislation, a great deal of preparatory work was conducted before the actual implementation. The foundation program legislation was not immune to the normal course of events. Research, legislative consideration, public relations, and lobbying were carried out for four years in preparing the implementation of the foundation program.

The reporting of the legislative and financial history of Montana's foundation program without consideration of the work that took place prior to the legislative implementation would provide an incomplete history. This chapter reports the events leading up to the legislative enactment of the Foundation Program Act.

I. MONTANA COMMITTEE ON PUBLIC ELEMENTARY AND SECONDARY

SCHOOL ORGANIZATION AND FINANCE, 1945

The first published recognition of Montana's need for a foundation program for schools was made by the Twenty-Ninth Legislative Assembly in 1945. It enacted a resolution that requested the Governor to appoint a nine-member committee to study schools. (24:358 & 359)

The resolution provided, ". . . said committee shall make a

carefull study of the conditions existing in all classes of school districts in the state, pertaining to the problems as to standards and courses of study of said schools, financing, maintenance, transportation, and supervision."

This directive was very general and applicable to any problem in education that may have existed at the time. In view of its generality, the committee studied school district reorganization and the school finance structure. The committee rationalized the study of these areas in the Foreward of its report as follows. (1:4)

The committee holds that its major responsibility is to make recommendations that will improve the quality of public education in the State of Montana, and that all other issues must be subordinated to this end.

To accomplish this major objective, the committee members are in unanimous agreement that reorganization of the administrative districts, and the reorganization of the public school financial structure, are so closely related and interwoven that the crisis in the public school systems of Montana cannot be met on a permanent basis unless the administration and financial problems are considered and acted upon as a unit.

In relation to the committee's stated need for a reorganization of the school finance structure, its report cited the following problems:

(1:8-11)

At present a large part of all state aid is distributed on an inequitable basis.

County levies for the support of elementary schools are distributed to districts without regard to need or the number of pupils actually in school.

Numerous counties and school districts do not have a property tax base large enough to adequately support an educational program for their children.

Exorbitant and confiscatory levies are made in many districts in an attempt to provide a satisfactory educational program, yet some of these districts still have a substandard program.

The State government does not provide sufficient funds to equalize the burden of education among Montana counties.

After citing these school finance problems, the committee made recommendations directed towards solving these problems. These recommendations were: (1:16-19)

FINANCE

XIX. The total amount which the state will guarantee a school district in support of a foundation educational program for its elementary and secondary schools shall be determined from the following schedules: . . . (The schedules expressed specific foundation program amounts in dollars for each school by the size of its enrollment.) . . .

XX. In computing the average number belonging, the sum of the aggregate attendance and the aggregate days absence shall be divided by 180; provided, however, that in computing the aggregate days absence, pupils absent more than three days shall be dropped from the rolls and shall not be considered as belonging.

.....

XXIII. The district shall first deduct from the total amount guaranteed, payments received from the Income and Interest Fund, from other constitutional sources, and from the Federal Government as Indian tuition or as payments in lieu of taxes.

XXIV. Each district shall be required to impose a property tax levy of 8 mills upon all taxable property within the district before qualifying for county or state equalization money.

XXV. When the sum of the moneys received from the Income and Interest Fund, from other constitutional sources, from the Federal Government for Indian tuition or other payments in lieu of taxes, and from the 8 mill district levy is insufficient to finance the foundation program, the county shall impose a property tax levy of not to exceed

17 mills on all taxable property within the county. Revenue so secured shall be distributed to districts according to their need in financing the foundation program.

.....

XXVI. If the 17 mills raises an amount insufficient to provide all districts in the county with the guaranteed amount the balance will be provided from a state school equalization fund. Districts may make application to the state for such equalization moneys. In case total state revenues prove insufficient to finance the foundation program in all districts, the actual sum of state moneys available shall be distributed to the respective districts making application therefor in accordance with their needs under the foundation program.

XXVII. In addition to the 8 mill district levy, the board of trustees of any district shall be permitted to levy 3 mills for school purposes without a vote of taxpayers residing therein.

These recommendations were the first written expression of the basic principles of school financing incorporated in the Foundation Program Act. While some of the specifics such as the mill levy amounts have changed, the basic financing principles recommended in this report were eventually enacted and still remain intact today.

The recommendations of this committee were incorporated in a bill introduced in the Thirtieth Legislative Assembly (1947). This bill, House Bill No. 124, failed to pass. (23:538) According to a member of this Legislative Assembly, its failure was due to other provisions of the bill, not the foundation program provisions. (37:)

II. PREPARATION FOR THE 1949 LEGISLATIVE ASSEMBLY

"Grassroots" committee.

Immediately after the Thirtieth Legislative Assembly had adjourned, a "grassroots" committee consisting of legislators, educators, parents, and other lay people was formed. The purpose of this committee was to conduct a "grassroots" informational program throughout the state on the proposed foundation program principles of financing schools. This committee functioned very well and carried its cause to people in all walks of life in the state. (37:)

In addition to carrying out an informational program, the "grassroots" committee collected data to document its proposition in the next assembly. (37:)

Superintendent of Public Instruction's position.

The work of the "grassroots" committee was bolstered by the Superintendent of Public Instruction's statement on the condition of school financing. This statement appeared in her unpublished 1948 biennial report. (7:2) The statement summarizes the school finance problem and the need for a foundation program so well that the writer has included it in total below.

Public elementary and secondary education in Montana is not only a great but a grave responsibility of the State. Article XI, Section 1, of the Constitution of Montana states that, " . . . It shall be the duty of the Legislative Assembly of Montana to establish and maintain a general, uniform and thorough system of public, free, common schools." With the increased needs of education due

to mounting birth rates, greater demands by the public for other learnings than the 3 R's, retarded construction, and generally increased costs due to the postwar inflation, we have reached a critical point in the methods of financing our schools.

Up to the present time the Legislative Assembly of Montana has delegated most of the responsibility of operating schools to the local communities, the county and the school district. These two divisions of government must depend primarily upon the property tax for the revenue necessary for the schools. With mounting costs, and with the county, the town and city, the special improvement districts also demanding more and more from the property owner, this form of financing has become inequitable, unjust, and outmoded. A source of revenue, other than the property tax, on a state level, should be found in order to serve as a replacement tax on property, adjust inequalities due to the differences in the distribution of property wealth in the state, and afford equal educational opportunity to all boys and girls in the State.

It must be remembered that Montana is a large state and sparsely populated. Recent studies have indicated that due to these factors, and others, Montana must spend \$1.66 in order to secure the same services in its schools as other average states can secure with the expenditure of \$1.00.

To give some idea of the scope of education in Montana, the following pages have been prepared showing the main features of the system--its organization, administration and financing.

CHAPTER IV

ENACTMENT OF THE MONTANA FOUNDATION PROGRAM ACT

The "grassroots" committee's preparation for the Thirty-First Legislative Assembly in 1949 paid handsome dividends with the passage of the Foundation Program Act. (26:473-491) This enabled the legal implementation of the foundation program principles proposed by the 1945 Committee on Public Elementary and Secondary School Organization and Finance within the already established framework for school district organization and budgeting. (1:16-19)

The existing framework for school district organization and budgeting at the time the Foundation Program Act was passed provided for two separate types of school districts--the elementary school district and the high school district. Each type of school district adopted its own independent school budget. While the method of budget adoption and the purposes of the budgets were identical, the tax bases to support the two budgets were not. Since the foundation program basis of financing provided for property taxation, this method of school district organization and budgeting had to be maintained. (5:137-153, 348-368)

I. THE FOUNDATION PROGRAM ACT

After describing a basic philosophy that it is the state's obligation to assist the school district in the financing of its minimum operating cost on an equalization-of-financial-effort basis, (26:474)

the foundation Program Act made step-by-step provisions for the financing of this minimum operating cost.

The first step was to establish a dollar amount to be financed. As the principles of the Governor's Commission suggested (1:16-18), this amount was based on the number of pupils (enrollment) in a school. A formula to determine the school's enrollment on the basis of pupil attendance was re-established by the Act. The pupil enrollment calculated by this formula was called "average number belonging" (ANB). (26:474,475)

After the ANB was determined, the school district had the basis for determining the amount of the foundation program for each of its schools. This was done by looking at schedules included in the Foundation Program Act. (26:475-478) These schedules provided a foundation program dollar amount on the basis of each school's ANB. The recommendations of the Governor's Committee (1:16-18) were followed in providing a separate schedule for the elementary school and for the high school, with the high school schedule providing larger amounts for similar ANB's. Also, as the Committee had recommended, (1:16-18) both schedules provided the largest amount per ANB for the smallest school and was gradually decreased as the school's ANB increased.

After the amount of the foundation program had been established, the Foundation Program Act provided the system of financing. As was indicated above, the tax base for support varied between the elementary

and high school districts. To compensate for this, the Act (26:473-491) provided one financing system for elementary school districts and one for high school districts. Since the elementary school district financing system is more detailed and involves more sources of revenue, the writer will describe the elementary system first.

Elementary System of Financing.

The first source of revenue for the elementary school district was financed by the state government through the state interest and income payment. This payment was a distribution of the annual proceeds earned from the investment of the state Permanent School Fund and leasing of state school lands. (5:5 & 6)

The second source of revenue was the proceeds from a district five mill levy on the property of the elementary school district. This source of revenue represented the basic effort to be made by the elementary school district. (26:481)

The third source of revenue, as provided by the Act, was the county equalization payment. This source of revenue was financed by a ten mill levy on the property tax base of the entire county. As is implied by the name, its purpose was to equalize the financing of the foundation programs of the elementary school districts within a county. In other words, through this payment, the county would help finance a specific proportion of each foundation program in the county. The proportion of financing might be 100 per cent, 50 per cent, or only 25

per cent of the foundation program but, after the county equalization revenue had been applied, this specific proportion of each school district's foundation program would be financed by the first three sources of revenue (interest and income, five mill levy and county equalization).

The fourth source of revenue was the state equalization payment which was the second part of a dual equalization financing system. (26:478, 479, 487 & 488) The 1945 Committee conceived that the state equalization payment would provide the remaining financing that was needed for each school's foundation program after the application of the first three revenues, equalizing the financing among all school districts in the state. (1:19)

The Foundation Program Act made two major provisions that were not included in the 1945 Committee's proposal. The Act recognized the fact that a sufficient amount of state funds may not be available to finance the state equalization payment. To provide for this contingency, the fifth source of revenue, district levy for state deficiency, was provided. As the name indicates, this amount was provided by property taxation on the elementary school district. (26:488-490)

The Act also limited the financing by the state sources (interest and income plus state equalization) to one-half of the foundation program. Thus, if the district five mill levy plus the county equalization payment plus the district levy for state deficiency (if imposed) did not provide at least one-half of the foundation program financing, the amount needed

to complete this one-half financing had to be provided by school district taxation. (26:479 & 480) This was the sixth source of revenue and became known as the district levy for remaining local obligation. (3:Topic 1, p.4)

The application of these six sources of revenue in each elementary school district on the basis of its individual financing abilities provided the total financing of the elementary school foundation program.

High School System of Financing

As has already been stated, the financing of the high school district foundation program varied from the elementary system. (26:473-491) Its financing began with the county equalization payment (26:486 & 487) since the high schools do not receive state interest and income payments (5:5 & 6), nor were they required by the Foundation Program Act to make the basic five mill effort required of the elementary school districts. The high school county equalization payment was financed by a ten mill levy. (26:484) Again the equalization principle was used in distributing the proceeds of the high school ten mill levy. (26:486-487) Regardless of where the taxes were collected within the county, the money was distributed to the high schools of the county so as to finance the same proportion of each high school district's foundation program.

After calculation of the county equalization payment, the state equalization payment was considered. As with the elementary foundation program, the state equalization payment was to provide the remainder of the financing of the foundation program provided it was not more than

50 per cent of the foundation program and if the available financing for the state equalization payment was sufficient to meet its full obligation. In the case of both exceptions, the high school district was required to provide the additional financing through property taxation. (26:473-491)

The application of these four sources of revenue in each high school district on the basis of its individual financing abilities provided the total financing of the high school foundation program.

Illustration of 1949 Financing of Foundation Program.

Graphically, the Foundation Program Act's formula for financing the elementary and high school foundation programs is shown in Figure 1. (3:Topic 2, 2 & 3) In this figure, it has been assumed that the elementary and high school foundation programs are \$100,000 each and that all sources must be used. Actually, the amount of the foundation programs varied according to the size of the school and all sources of revenue would not be used by each school.

Additional Financing Above the Foundation Program.

The Foundation Program Act not only provided for the financing of the minimum educational program through the foundation program but also provided for the financing of the educational program above the required foundation program. The financing above the foundation program was encompassed in two sources of school district property taxation. (26:481-485)

The first source of school district property taxation to finance

ELEMENTARY SCHOOL			HIGH SCHOOL		
Foundation Program-\$100,000			Foundation Program-\$100,000		
6th Source	District Levy for Remaining Local Obligation		District Levy for Remaining Local Obligation		4th Source
	\$10,000	10%	\$10,000	10%	
5th Source	District Levy for State Deficiency		District Levy for State Deficiency		3rd Source
	\$10,000	10%	\$10,000	10%	
4th Source	State Equalization Payment		State Equalization Payment		2nd Source
	\$40,000	40%	\$50,000	50%	
3rd Source	County Equalization Payment				
	\$20,000	20%			
2nd Source	District Five Mill Levy		County Equalization Payment		1st Source
	\$10,000	10%	\$30,000	30%	
1st Source	State Interest and Income Payment				
	\$10,000	10%			

FIGURE 1
HYPOTHETICAL ILLUSTRATION OF
FINANCING THE FOUNDATION PROGRAM IN 1949-50

the need above the foundation program was called the district permissive levy. As the name implies, it was permissible to use this levy but not mandatory that it be imposed as in the case of the foundation program mill levies. The discretion to use the district permissive levy was placed in the hands of each school district's board of trustees. The board of trustees was allowed to use as much of the district permissive levy as was determined necessary to finance the district's educational program. The dollar amount of this discretionary tax was limited by the Act. The elementary school district permissive levy could not be greater than 20 per cent of its foundation program. Likewise, the high school district permissive levy was limited to 15 per cent of its foundation program. (26:481-485)

A second source of school district property taxation for the area above the foundation program financing was available to the school district if they wished to exceed the limitation of the district permissive levy. However, the board of trustees could not use this source of revenue until the taxpaying voters of the school district approved the request for additional financing through this source. As the approval process indicates, this last source of revenue was called the district voted levy. (26:482 & 483)

Summary of the Foundation Program Act.

Thus, the Foundation Program Act provided for the financing of not only the minimum educational program through the foundation program

but also the financing of the educational program above the minimum through the district permissive levy and the district voted levy. Since these sources of revenue financed the maintenance and operation of the educational program, they were combined into one fund for financial administration--the general fund. Other funds for specific purposes were available to the school district but the general fund was the most important since it provided for the largest portion of the financing of the educational program.

CHAPTER V

DESCRIPTION AND HISTORY OF THE FOUNDATION PROGRAM ELEMENTS

The discussion of the initially enacted foundation program has introduced many terms and principles of providing school financing. Terms such as ANB, foundation program schedule, county equalization, state equalization, and state deficiency were all terms resulting from the Foundation Program Act. These and other terms were, as already described, important elements of the foundation program method of financing and each one has its own peculiarities and history since the original enactment of the Foundation Program Act. In view of this, this chapter is a more detailed description of these elements and a recount of what has happened to each since the original enactment through the most recent legislative assembly (1949-1969).

I. AVERAGE NUMBER BELONGING (ANB)

Original Provision.

Average number belonging (ANB) was the average number of regularly enrolled, full-time pupils attending a public school. The Act of 1949 adopted the previously enacted formula for the computation of the school's ANB. (25:549) The formula required the computation of the total number of days of attendance during the school year by all pupils and the total number of days of absence during the school year by all pupils. Days of absence were limited to three consecutive days of absence by a pupil and,

after the third day, the pupil was dropped from the ANB rolls. When the total days of attendance and of absence were calculated, the two totals were added together and divided by 180 (normal days of school in a school year). The result of this division was the ANB. (26:474 & 475)

For example, assume a school had 100 pupils enrolled in it. The total days of attendance in a 180-day school year might have been 17,100 and the total days of absence (three consecutive days) might have been 720. The total of the two would be 17,820 which was divided by 180 and resulted in an ANB of 99. The reduction of the ANB to 99 from the 100 enrollment was due to the absence of pupils after the third consecutive day of absence.

As has been explained, the ANB was calculated on the basis of the actually realized attendance of the pupils. Therefore, the ANB could not be calculated until a year of attendance had been concluded. Since the foundation program was determined on the basis of the ANB, it was always based on the number of pupils enrolled in the school the year previous to the applicable year for the foundation program.

The Foundation Program Act added one additional factor in the calculation of the elementary school district ANB. This factor took into consideration that several elementary schools may be located within one city. On the basis that all schools within the incorporated limits of a city were operated as a unit, the Act specified that one ANB would be calculated for this "city unit," and, thus, provided one foundation

program for this unit. (26:477) The "city unit" ANB was not specified for high schools since there was not more than one high school per city in 1949.

Subsequent Modification.

The basic method of calculating the ANB has remained substantially the same but various modifications have been made since 1949. The first modification of the ANB calculation formula was made in 1951 when it was provided that, if the school had a school year of over 185 days, its divisor for calculation of the ANB would be 185 rather than 180 as explained in the above example. (27:183)

The next modification of the ANB formula was made in 1961 when the 185-day divisor provision was repealed and 180 was re-established as the only divisor--no matter how many days were included in the school year. (32:328) In 1961, the "city unit" was also established for high schools since a second high school was being implemented in two high school districts. (32:128 & 129) The last modification was made in 1967 when the three-consecutive-days-of-absence provision for calculation of the ANB was increased to ten consecutive days. (35:206 & 207)

Other ANB Provisions.

As has already been explained, ANB is one year behind the year of use for the foundation program. This factor has been the reason for the passage of several pieces of legislation to allow advance use of estimated ANB for special purposes. These provisions are:

1. Anticipated ANB for a school that is reopening, made in 1951, (27:183 & 184) and for a new school in 1961. (32:329).
2. Transfer of ANB from a closing public or private school to an operating school, made in 1951. (27:184)
3. Unusual enrollment increase from one year to the next year, made in 1963. (33:1122 & 1123)
4. Anticipation of special education ANB when a new class is established, made in 1965. (34:187 & 188)
5. Anticipation of ANB for vocational-technical purposes, made in 1967. (35:613)
6. The vocational-technical ANB anticipation provision was repealed in 1969 when a method of financing outside of the foundation program was provided. (36:Chapter 250)

A special ANB provision for mentally retarded and physically handicapped classes (special education) was enacted in 1955. It allowed an ANB multiple of two for the ANB realized from the mentally retarded class and a multiple of three for physically handicapped classes. For example, if the ordinary ANB computed for a mentally retarded special education class was 10, the ANB was increased to 20 (10 x 2) under this provision. (29:454)

The original special education ANB multiple was amended in 1959 by increasing the mentally retarded class multiple to three. (31:194-196) In 1967, the ANB multiple for special education was increased to six per

ANB or, if the class enrollment was more than six, to a flat 45 ANB for the class. (35:294)

II. FOUNDATION PROGRAM SCHEDULES

As has been explained previously, there are two schedules of foundation program amounts, one for elementary and one for high schools. These schedules have been the source of most of the legislative change since the original enactment. This is natural since the state and nation's economy has been inflationary since 1949. In addition to this, pupil enrollments have continually increased during this period of time, with the "war babies," normal growth and various construction projects. The effect of inflation and enrollment increases was presented and demonstrated to the School Foundation Study Committee (1961) by the Superintendent of Public Instruction on June 16, 1962. (14:83-88) Table I shows the ANB growth that has been experienced during the period of 1948-49 through 1967-68. (8:103 & 104) (9:76 & 77) (10:88 & 89) (11:71 & 72) (12:38 & 39) (13:174 & 175) (14:44,70) (15:50,78) (16:30,60) (17:Tables 19,39) This table indicates that the total ANB has nearly doubled since the beginning of the foundation program.

In addition to the inflationary factor and the enrollment increase, the schools have improved the quality of their educational programs since the inception of the foundation program. This has been especially true in the most recent years with the demands of lay people for more and more excellence and types of educational services.

TABLE I
ANNUAL AMOUNT OF ANB BY ELEMENTARY AND HIGH SCHOOL
FOR THE SCHOOL YEARS 1948-49 THROUGH 1967-68

Year	ANB		Total
	Elementary	High School	
1948-49	70,989	23,589	94,578
1949-50	73,861	24,113	97,974
1950-51	75,334	24,953	100,287
1951-52	76,175	25,733	101,908
1952-53	79,489	26,566	106,055
1953-54	84,026	27,622	111,648
1954-55	87,367	28,783	116,150
1955-56	91,478	29,972	121,450
1956-57	95,733	31,149	126,882
1957-58	97,804	32,528	130,332
1958-59	99,731	34,087	133,818
1959-60	104,103	34,931	139,034
1960-61	108,374	36,183	144,557
1961-62	111,809	39,377	151,186
1962-63	115,396	42,693	158,089
1963-64	117,286	45,336	162,622
1964-65	120,055	47,624	167,679
1965-66	122,446	48,856	171,302
1966-67	125,198	51,043	176,241
1967-68	127,853	53,134	180,987

In consideration of these three factors, the elementary and high school foundation program schedules have been increased by every legislative assembly since 1949 with the exception of 1951. During the 1950's the amount of the increases varied from one school ANB amount to another but most of the changes in the 1960's have been a similar percentage increase for all school ANB amounts. Table II shows the schedule percentage increases that have been made by the ten legislative assemblies since 1949. (27:818) (28:614-617) (29:526-528) (30:611-614) (31:654-657) (32:705) (33:-1155-1158,1174-1176) (34:628-630,637 & 638) (35:1115-1121) (36:Chapter 3, Extraordinary Session)

While the amounts shown in Table II indicate the per cent of increase each succeeding legislative assembly made over the immediately preceding assembly's schedule enactment, it does not provide a basis for comparison of dollar amounts of the foundation program. Table III, page 36, provides a comparison of the foundation program amounts for specific ANB amounts for selected years. (26:475-478) (29:526-528) (33:1155-1158,1162, 1174-1176) (35:1115-1121) (36:Chapter 3,Extraordinary Session)

Tables II and III demonstrate what has taken place during the past ten legislative assemblies (20 years) to provide for the inflationary trend, enrollment increase, and a better quality education. However, the widely varying percentage increases over the period of time indicate that the high schools have done considerably better than the elementary schools. Table III, page 36, also illustrates how the smaller schools have faired better than the larger schools in receiving foundation program increases.

TABLE II
PERCENTAGE INCREASES OF FOUNDATION PROGRAM SCHEDULES
ENACTED BY THE 1951-1969 LEGISLATIVE ASSEMBLIES

Legislative Assembly	F. P. Schedule Percentage Increase of the Previous Biennium's Schedule	
	Elementary	High School
Thirty-Second (1951)	No Increase	No Increase
Thirty-Third (1953)	Varying, Average* is 9.9%	Varying, Average* is 10.4%
Thirty-Fourth (1955)	Varying, Average* is 4.7%	Varying, Average* is 15.3%
Thirty-Fifth (1957)	Varying, Average* is 11.1%	Varying, Average* is 9.8%
Thirty-Sixth (1959)	Varying, Average* is 4.0%	Varying, Average* is 4.7%
Thirty-Seventh (1961)	3%	3%
Thirty-Eighth (1963)	Varying, Average* is 4.5%	Varying, Average* is 19.6%
Thirty-Ninth (1965)	6%	6%
Fortieth (1967)	15%	15%
Forty-First (1969)	12%	14%

*The average percentage increases shown in this table have been computed on a weighted basis for consistency of comparison.

TABLE III

FOUNDATION PROGRAM AMOUNTS FOR SELECTED YEARS
AT SELECTED ANB AMOUNTS WITH A
TWENTY-YEAR COMPARISON

ANB	1949-50	1955-56	1963-64	1967-68	1969-70	Increase	
						1949-50 to 1969-70 Amount	Per Cent
Elementary:							
8	\$ 2,500	\$ 2,900	\$ 3,984	\$ 5,178	\$ 5,798	\$ 3,298	131.9%
15	3,200	3,495	4,569	6,094	6,826	3,626	113.3
23 w/1 Teacher	3,500	3,900	5,271	6,854	7,676	4,176	119.3
23 w/2 Teachers	6,200	7,400	9,281	12,067	13,516	7,316	118.0
33	7,828	7,400	9,750	12,675	14,196	6,368	81.3
71	15,762	18,396	22,120	28,758	32,223	16,461	104.4
201	38,391	44,471	55,476	72,199	80,882	42,491	110.7
301	51,772	58,996	74,498	96,862	108,685	56,913	109.9
High School:							
24	\$ 8,160	\$ 10,800	\$ 19,125	\$ 24,868	\$ 28,352	\$ 20,192	247.5%
33	11,220	14,850	24,725	32,157	36,916	25,696	229.0
71	23,253	27,690	43,000	55,908	63,749	40,496	174.2
151	40,770	46,433	66,535	86,511	98,603	57,833	141.9
251	59,613	68,147	92,714	120,520	137,397	77,784	130.5
451	98,093	112,299	156,103	202,950	231,363	133,270	135.9
601	126,210	144,240	201,936	262,517	299,298	173,088	137.1

The Foundation Program Act of 1949 made one additional provision that is noteworthy, the exclusion of debt retirement from financial support by the foundation program. (26:475 & 476) In 1953, the legislative assembly added adult education, kindergarten, recreation, school lunch, new buildings, new grounds, teachers' retirement, tuition, and transportation to this exclusion. (28:615) In 1955, the teachers' retirement and tuition exclusions were repealed. (29:526) The teachers' retirement and tuition exclusions are immaterial since other means of financing were available for these types of expenditures.

III. FINANCING THE FOUNDATION PROGRAM

After consideration of the ANB and foundation program schedules elements, the remaining elements were related to the sources of revenue used to finance the foundation program. Thus the remainder of this chapter will deal with these foundation program sources-of-revenue elements.

Interest and Income Payment.

The state interest and income payment was the first source of revenue available to finance the elementary foundation program as shown in Figure I, page 25. The financing of the state interest and income was earned from the investment of the Permanent School Fund and the leasing of state school lands. When Montana became a state it was granted 5,188,000 acres of land. (9:46) Since that time, a small portion of the property has been sold with 4,594,000 acres remaining in state ownership on June 30, 1968. (20:) The money received from these sales and 5 per

cent of the annual interest and income revenue was placed in the Permanent School Fund. This fund was invested and the interest earned from the investment was the "interest" portion of the interest and income. The "income" portion was the revenue realized from the leasing of the state-owned school lands for grazing, agriculture, oil and gas, and mineral purposes. (9:45-52)

The distribution method of the state interest and income payment was already in the Montana Constitution, Article XI, Section 5. This section was a part of the originally ratified Montana Constitution. According to this provision, the interest and income revenue was distributed by allotting an identical amount for each child between the ages of 6 and 21 in the state. The per child amount multiplied by the number of census children in a school district was distributed to the school district. The per child allocation was made regardless of the child's attendance in a public school. (5:5 & 6)

The amount of interest and income funds distributed, number of census children, and per census child amount since the enactment of the foundation program in 1949 is shown in Table IV. (8:92) (9:48,51,75) (10:74,87) (11:52,70) (12:28,38 & 39) (13:18,24,29,174) (14:27,44,51,70) (15:31,50,58,78) (16:11,30,37,61) (17:Tables 4,19,26,39) (20:)

Table IV, page 39 indicates the increases in the amount of money that has been available for distribution and the number of census children. While the number of census children has increased by over 50 per

TABLE IV

ANNUAL DISTRIBUTION OF INTEREST AND INCOME REVENUE WITH
CENSUS CHILDREN BASE FOR DISTRIBUTION AND PER CHILD
AMOUNT FOR THE SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	I & I Amount	Census Children	Per Child Amount
1949-50	\$1,470,361	143,853	\$10.22
1950-51	1,956,720	145,806	13.42
1951-52	2,766,456	146,716	18.86
1952-53	8,291,403*	150,072	55.25
1953-54	4,379,125	156,309	28.02
1954-55	4,237,518	162,589	26.06
1955-56	4,387,548	169,203	25.93
1956-57	4,133,541	175,911	23.50
1957-58	3,736,329	180,117	20.74
1958-59	3,506,730	186,433	18.81
1959-60	3,839,334	192,981	19.89
1960-61	3,909,460	199,975	19.55
1961-62	4,244,230	205,729	20.63
1962-63	4,520,767	211,669	21.36
1963-64	4,912,755	215,216	22.83
1964-65	5,236,280	219,344	23.87
1965-66	5,136,194	224,465	22.88
1966-67	5,901,396	228,080	25.87
1967-68	8,009,377*	231,000	34.67
1968-69	9,219,288*	229,470	40.18

* These are years of income from oil lease bonuses during oil booms. The recent Bell Creek oil boom effect on school land leasing has been realized in 1967-68 and 1968-69 and will not provide additional funds in 1969-70. (10:70 & 71) (20:)

cent during this period of time, the amount of interest and income funds to be disbursed has increased by over 400 per cent even when the additional funds from the Bell Creek oil boom are disregarded (\$6,500,000 ÷ 1,470,361).

District Five Mill Levy.

The district five mill levy was the second source of revenue for the elementary foundation program as shown in Figure 1, page 25. The five mill levy was imposed on the property tax base of the school district for the support of that school district's foundation program and represented the school district's basic effort to finance it. (26:481)

This 1949 basic effort provision was not amended until 1963 when it was repealed. (33:1155-1158) Today there is no such thing as a basic effort for the elementary school district to make.

County Equalization Payment (Elementary and High School).

As shown in Figure 1, page 25, the elementary county equalization payment was the third source of revenue in financing the foundation program and the high school county equalization payment was the first high school source of revenue. Both elementary and high school county equalization sources of revenue were a distribution of financing on an equalization basis.

Under the equalization principle of disbursing public funds, all taxpayers living in the same county pay their taxes for equalization purposes on the basis of a uniform tax assessment. When the equalization

taxes were collected, they were all deposited in one fund regardless of what school district the taxpayer may live in. The taxes placed in the fund were then disbursed to all school districts in the county so that each school district had the same proportion of its foundation program financed after the distribution of the county equalization payment.

(26:482,484-485,486-487)

Elementary. The elementary county equalization payment, as explained above, was the third source of revenue. The equalization distribution of the county equalization revenue required the consideration of the first two sources of revenue (state interest and income, district five mill levy) along with the county equalization funds in order to determine what proportion of the foundation programs in the county were financed by the county equalization payment. In order to do this, the total amount realized by each school district in the county from the first two sources was calculated and then added to the amount available for the county equalization payment. The total of the financing available from these three sources was then compared to the total amount to be financed, or, in other words, the total of the foundation programs for all school districts in the county. The comparison of the two amounts would indicate the proportion of each school district's foundation program that the three sources of revenue would finance. The proportion that would be financed varies from county to county and could be full financing (100 per cent) or could be as small as one-quarter financing (25 per cent). (26:486-487)

No matter what the proportion of financing was available from these sources; the amount of the elementary equalization payment for an individual foundation program was determined by subtracting the amount provided by the first two sources of revenue from the amount of a district's foundation program that would be financed in accordance with the proportion determined in the above manner. (26:486 & 487)

For illustration, refer to Figure 1, Elementary column on page 25, the proportion in this county to be provided by the first three sources is 40 per cent of the foundation program. The state interest and income payment has financed \$10,000 and the district five mill levy another \$10,000, a total of \$20,000. Since 40 per cent of the elementary school district's \$100,000 foundation program is \$40,000, the difference between the \$40,000 financing ability and the \$20,000 already financed is the \$20,000 county equalization payment. Other elementary school districts in the illustrated district's county would receive more or less than the 20 per cent proportion of their foundation programs shown in this figure, depending upon their ability to finance the 40 per cent of the foundation programs from the first two sources of revenue.

High School. The method of distributing the high school county equalization payment was on the same principle as described for the elementary county equalization payment. (26:486 & 487) Since the high school county equalization payment was the first source of revenue in financing the high school foundation program, the calculation of the

payment to each high school district was relatively simple. As shown in Figure 1, High School column, page 25, the \$100,000 high school foundation program receives a \$30,000 county equalization payment since the amount of tax money raised by the high school tax levied for county equalization would provide 30 per cent of the financing of all the high school foundation programs in the county.

Illustration of County Equalization Percentage Calculation. In actual practice, the county equalization percentage varied from county to county. This variance was not only caused by the revenue factors mentioned above but was also affected by variances in the taxable valuation and number of children enrolled in the schools. A sample calculation of the elementary and the high school county equalization percentage computations is provided in Figure 2. These computations are related to the illustrated school district financing in Figure 1, page 25.

Principle of equalization. The principle of equalization required that everybody pay the cost for the educational services of a given geographic area on an equal taxation basis and that the revenue received from the equal tax be distributed to support an equal proportion of each school's minimum educational program (foundation program).

Financing the county equalization payment. The method of determining the amount of elementary and high school county equalization payments has been explained, but how was the revenue provided in the Foundation Program Act in 1949? The elementary revenue was primarily raised by

Description	Elementary	High School
1. County Taxable Valuation	<u>\$10,000,000</u>	<u>\$10,000,000</u>
2. Ten mill levies on this taxable valuation would raise	\$ 100,000	\$ 100,000
3. Less:		
a. County Elementary Transportation Obligation	(5,000)	
b. County High School Tuition Obligation		<u>(1,000)</u>
4. Remainder for County Equalization	\$ 95,000	99,000
5. Add federal funds from leasing of federal lands in county	<u>1,000</u>	<u>-0-</u>
6. Total Available for County Equalization payment	\$ 96,000	\$ 99,000
7. Add total amount earned by elementary schools from State Interest and Income Payments and District five mill levies in the County	<u>\$ 96,000</u>	<u>-0-</u>
8. Total Available from these sources of revenue	<u>\$ 192,000</u>	<u>\$ 99,000</u>
9. Total Foundation Programs in the County	\$ 480,000	\$ 330,000
10. County Equalization Percentage (Number 8 ÷ Number 9)	40%	30%

FIGURE 2

CALCULATION OF THE ELEMENTARY AND HIGH SCHOOL
COUNTY EQUALIZATION PERCENTAGE

a ten mill levy on the total taxable value of the county. (26:482)

However, other factors both increased and decreased the amount available from the basic ten mill levy. The Act provided that the county's receipt of funds from the federal government for timber cutting, grazing rentals and flooding of federal lands within the county would be added to the ten mill levy proceeds; thus, the amount available would be increased. On the decrease side of the ledger, the county had an obligation to pay a portion of the school transportation cost in the county. This was an obligation of the county equalization financing and was to be paid before the revenue was distributed on the equalization basis. (26:486 & 487)

The financing of the high school county equalization payment under the Foundation Program Act was by a county-wide ten mill levy, additional to the similar elementary ten mill levy. (26:484 & 485) The Act did not include any increase or decrease of the revenue earned from the ten mill levy before it was disbursed on the equalization basis. In 1951, the legislative assembly established an obligation of this revenue, the requirement that out-of-county tuition be financed by the proceeds of this mill levy before the high school county equalization payment was made. (27:180 & 182)

The statutory provisions for county equalization have remained the same since the 1951 amendment with the exception of the number of mills for the support of the county equalization revenue. Table V indicates the legislative increases that have been applied to the elementary

TABLE V
LEGISLATIVE INCREASES OF ELEMENTARY AND HIGH SCHOOL
COUNTY EQUALIZATION MILL LEVY AMOUNTS
BY LEGISLATIVE ASSEMBLY OF ENACTMENT

Legislative Assembly	Number of Mills	
	Elementary	High School
Thirty-Second (1949)	10 Mills	10 Mills
Thirty-Eighth (1963)*	25 Mills	15 Mills
Thirty-Ninth (1965)	24 Mills	14 Mills ¹
Forty-First (1969)	25 Mills	15 Mills

*Elementary school district 5 mill levy was deleted by this Legislative Assembly. (33:1158)

¹This levy was reduced in 1966-67 by the distribution of State Equalization Funds (see footnote(§) in Table IX, page 51).

and high school county equalization mill levies by the legislative assembly enacting the increases. (26:482,486 & 487) (33:1166,1172 & 1173) (34:635 & 636) (36:Chapter 3, Extraordinary Session)

While the basic mill levy has been changed very few times and only once by a major amount, the revenue realized for county equalization has steadily grown because of the growth in the tax base. Table VI (2:7) shows the growth in the state taxable valuation and the approximate growth in the combined elementary and high school county equalization. The county equalization amount is approximate in that it is only the amount earned by the mill levies and does not consider the other revenue and disbursement factors. The mill levy amount represents the total of the elementary and high school mill levies as reported in Table V, page 46.

Table VI indicates that the combined elementary and high school county equalization mill levies' proceeds have nearly quadrupled from 1949-50 through 1968-69. But this comparison, by itself, is erroneous. Further examination of the table shows that the statewide taxable valuation has not quite doubled during the identical period of time. The remainder of the increase of the proceeds from this mill levy has been created by the increase of the mill levies from twenty mills to thirty-eight mills.

While these mill levies represent the total basic effort from property taxation in support of the foundation program at this time, it should not be forgotten that prior to 1963-64 an additional five mills

TABLE VI

STATE TAXABLE VALUATION, COMBINED COUNTY EQUALIZATION MILL LEVIES,
AND RESULTING ESTIMATED COUNTY EQUALIZATION REVENUE
FOR THE SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	State Taxable Valuation	Mill Levy	Estimated County Equalization Revenue
1949-50	\$455,322,253	20 Mills	\$ 9,106,445
1950-51	459,303,967	20	9,186,079
1951-52	492,416,991	20	9,848,340
1952-53	530,115,803	20	10,602,316
1953-54	538,724,971	20	10,774,500
1954-55	553,430,951	20	11,068,619
1955-56	586,407,846	20	11,728,157
1956-57	619,207,119	20	12,384,142
1957-58	639,537,228	20	12,790,745
1958-59	664,575,928	20	13,291,519
1959-60	673,197,115	20	13,463,942
1960-61	691,646,680	20	13,832,934
1961-62	690,775,883	20	13,815,518
1962-63	693,236,478	20	13,864,730
1963-64	737,062,590	40	29,482,504
1964-65	758,830,999	40	30,353,240
1965-66	785,065,495	38	29,832,489
1966-67	824,478,912	38	31,330,199
1967-68	853,556,852	38	32,435,160
1968-69	872,457,918	38	33,153,401

were levied by each elementary school district for the support of the district five mill levy.

State Equalization Payment.

The state equalization payment was the second part of the dual equalization system, with the county equalization payment constituting the first part. After the county equalization had been applied and every school district had considered the financing established by its county's equalization percentage, it remained for the state to provide the remainder of the financing of the foundation program. The financing of the remainder was to be through the state equalization payment which would have the effect of equalizing the cost of the minimum education program on a statewide basis.

Thus, the philosophy of the equalization process was built into the formula for financing the foundation program. However, since the enactment of the Foundation Program Act, the complete application of this philosophy has been applied in only three out of the twenty years due to the 50 per cent limitation on state financing from 1949 to 1963 and deficiencies in the amount of available state equalization funds to meet its obligation in later years. But these two factors are the causes of the last two sources of revenue shown in Figure I, page 25, and will be discussed later.

Financing the state equalization payments. While the computation of the optimum amount of the state equalization payment is relatively

simple (foundation program less the financing provided by the state interest and income payment, district five mill levy, and county equalization payments), the provision of the financing by the state was not. Financing of the state equalization payment was provided by four separate sources: (1) one-fourth of the state income tax, (2) one-fourth of the corporation license tax, (3) one-half of the U. S. Oil and Gas Royalties, and (4) a legislative appropriation from the state's General Fund. (26:-478 & 479) As the number of pupils and the amount of the foundation program have increased over the years, so has the amount of financing available for state equalization. Table VII shows the growth in these sources of state equalization financing. (8:83) (9:61) (10:74) (11:57) (12:27) (13:18,29) (14:27,50) (15:30,57) (16:10,36) (17:Tables 3 & 24) Table VII demonstrates the growth that has taken place in the amount of money available for the state equalization payment. This increase is due to the growth of the base for these revenues as well as legislative increases of the tax rates and appropriations. (22:95-97,352 & 353) Through the combination of these factors, the total amount available for distribution has increased by over 300 per cent. However, the increases in the individual revenues have been considerably different from this overall increase. The individual revenue increases from 1949-50 to 1967-68 are shown in Table VIII, page, 52.

Disbursement of State Equalization Revenue (State Equalization Payment). While the amounts shown in Table VII indicate the state equalization money that was available in a particular year, they do not show

TABLE VII
AVAILABLE REVENUE FOR STATE EQUALIZATION FOR THE
SCHOOL YEARS 1949-50 THROUGH 1970-71

Year	$\frac{1}{4}$ Income Tax	$\frac{1}{4}$ Corporation License Tax	$\frac{1}{2}$ U.S. Oil & Gas Roy.	General Fund Appropriation	Total
1949-50	\$ 921,712	\$ 412,029	\$ 221,043	\$ 4,300,000	\$ 5,854,784
1950-51	1,108,505	652,241	350,617	4,300,000	6,411,363
1951-52	1,331,598	570,898	286,172	4,665,000	6,853,668
1952-53	1,225,636	401,409	455,284	4,665,000	6,747,329
1953-54	1,267,484	413,285	502,308	2,900,000	5,083,077
1954-55	1,326,103	391,383	409,622	4,665,000	6,792,108
1955-56	1,765,919	570,034	462,883	4,665,000	7,463,836
1956-57	1,625,983	594,002	583,357	5,000,000	7,803,342
1957-58	2,149,711	594,359	766,189	6,400,000	9,910,259
1958-59	2,097,957	756,603	807,317	7,100,000	10,761,877
1959-60	2,369,409	1,174,815	885,855	8,094,469	12,524,548
1960-61	2,981,307	1,169,888	810,852	8,955,554	13,917,601
1961-62	3,039,231	1,100,245	879,550	8,057,374	13,076,400
1962-63	3,508,303	1,189,468	1,018,974	8,577,137	14,293,882
1963-64	3,674,646	1,262,453	1,003,359	10,000,000	15,940,458
1964-65	4,165,654	1,467,809	1,013,438	12,000,000	18,646,901
1965-66	5,467,467	1,637,930	1,070,409	13,699,646	21,875,452
1966-67	5,968,589	1,901,952	1,080,615	13,200,000	22,131,156
1967-68	7,393,413	1,832,176	1,111,735	14,711,598	25,048,922
1968-69	*	*	1,697,365	12,500,000	*
1969-70	†	†	†	17,150,000	†
1970-71	†	†	†	15,850,000	†

*No final amount available.

†No amount available until conclusion of fiscal year.

TABLE VIII
COMPARISON OF STATE EQUALIZATION REVENUE GROWTH
BY TYPE OF REVENUE DURING THE LIFE
OF THE FOUNDATION PROGRAM

Type of Revenue	1949-50 Receipt	1967-68 Receipt	Increase	
			Amount	Per Cent
Income Tax	\$ 921,712	\$ 7,393,413	\$ 6,471,701	702%
Corporation Lic. Tax	412,029	1,832,176	1,420,147	345
U.S.Oil & Gas Royalties	221,043	1,111,735*	890,692	403
General Fund Approp.	<u>4,300,000</u>	<u>14,711,598</u>	<u>10,411,598</u>	<u>242</u>
Total Available	\$5,854,784	\$25,048,922	\$19,194,138	328%

*The \$1,697,365 earned from this revenue during the present year (1968-69) brings its earnings to an all time high and represents the largest single year's increase over the preceeding year's earnings. If the per cent of increase was computed on the basis of this year's earnings, it would be 668%. (20:)

the amount that was actually distributed during the same year. Table IX, page 54, shows the amount of the state equalization payment each year since the enactment of the foundation program. (8:88) (9:66) (10:77 & 78) (11:60 & 61) (12:32 & 33) (13:20,30) (14:28,52) (15:32,59) (16:12,38) (17:- Tables 7,28) (20:)

A comparison of the dollar amounts in Table VII, page 51 and Table IX indicates that due to several factors, the total amounts of the state equalization money that have been available do not equal the total amounts distributed. Until 1961, the state school transportation obligation was paid from the state equalization money. (27:426 & 427) In 1961, the legislative assembly began the direct appropriation of money from the state's General Fund for school transportation. (32:677 & 678) In addition to the transportation financing, appropriations for other state government obligations such as state government administration, tuition for children at the Montana Children's Center, and school district property tax reduction in school districts where state institutions were located, have been financed by state equalization revenue. (35:1258,1303) (6:114, 115,131) There have been cash balances remaining at the end of various years which have been used to finance subsequent years' state equalization payments or may have reverted to the State General Fund. (20:) In other years, there has not been enough to meet the state equalization financing obligation and, in these instances, the school district must absorb the lack of financing through the cash it has on hand or go into debt. The fact that the amount of revenue available for the state equalization payment and the actual amount of the payment were not the same amount of money does

TABLE IX

ANNUAL AMOUNTS OF ELEMENTARY AND HIGH SCHOOL STATE EQUALIZATION PAYMENTS
FOR THE SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	Elementary	High School	Total
1949-50	Not Available	Not Available	\$ 5,382,031
1950-51	\$ 4,259,975	\$ 1,285,395	5,545,370
1951-52	4,363,922	1,038,985	5,402,607
1952-53	2,179,454	1,371,225	3,550,679
1953-54	4,010,847	2,075,083	6,085,930
1954-55	4,569,623	2,211,964	6,781,587*
1955-56	4,152,185	2,153,430	6,305,615
1956-57	4,789,922	1,775,535	6,565,457
1957-58	6,371,236	2,523,729	8,894,965
1958-59	7,153,485	2,652,637	9,806,122*
1959-60	8,155,633	3,079,270	11,234,903*
1960-61 [†]	8,590,023	3,624,706	12,214,729
1961-62 [†]	9,647,031	3,668,783	13,315,814
1962-63 [†]	9,507,779 [‡]	3,795,824	13,303,603
1963-64	9,077,181 [‡]	5,468,414	14,545,595
1964-65	9,177,098	9,832,305	19,009,403
1965-66 [‡]	11,314,255	8,517,214	19,831,469
1966-67 [‡]	10,583,338	8,420,596	19,003,934
1967-68	13,438,851	10,685,489	24,124,340
1968-69	11,799,435	11,976,406	23,775,841

*The State Equalization Payment for these years did not finance the amount of its obligation established under the foundation program financing formula (see the discussion on district levy for state deficiency). The amount of the shortage of the state equalization financing disbursed to the school districts is shown below. (20:)

Year	Established Obligation	Actual Payment	Shortage
1954-55	\$ 7,962,055	\$ 6,781,587	\$1,180,468
1958-59	10,232,511	9,806,122	426,389
1959-60	11,761,833	11,234,903	526,930

[†]In 1961-62 and 1962-63, a separate distribution of state financing was made to assist in the financing of the school district's tax obligation. This financing was called "Classroom Unit Assistance." The financing was provided by a special state General Fund appropriation and has not been included in either Table VII, page 51, or this table. It was \$855,544 each of the two years. (32:826 & 827)

[‡]The elementary state equalization payment was initially established as \$9,626,650 for 1963-64; however, a subsequent State Board of Education order reduced this amount by \$549,469 to \$9,077,181. (20:)

[‡]In 1966-67, the balance remaining in the State Equalization Aid Account at the end of 1965-66 was distributed on a formula enacted by the 1965 Legislative Assembly. This was \$1,816,490 and was used to reduce the 14-mill county-wide mill levy for high school county equalization purposes. (34:631 & 632) The 1967 Legislative Assembly repealed this law. (35:1119)

not alter the fact that this source of revenue has increased by over 300 per cent during the life of the foundation program.

District Levy for State Deficiency.

The fifth source of revenue was the district levy for state deficiency, as shown in Figure 1, page 25. As has already been explained, this source of revenue has not always been necessary. It was needed in the years when it was estimated by the Superintendent of Public Instruction, as required by law, that there was not enough financing from the other five sources of revenue to completely finance the statewide foundation program. Since the state equalization payment was to finance the remainder, after the application of the other revenues, any shortage of financing came to be known as a deficiency of state equalization financing, or a state deficiency. The percentage of the estimated statewide foundation program total that could be financed by the other estimated five sources of revenue (elementary and high school) was known as the state equalization percentage. If it was estimated that the total foundation program could be financed by these sources of revenue, the state equalization percentage was 100 per cent. However, if these estimated revenues could not finance the estimated statewide foundation program, the state equalization percentage would represent that portion of the foundation program that could be financed. Likewise, when there was not enough revenue available, the district levy for state deficiency would finance the remaining portion of the foundation program, or the difference between 100 per cent and the state equalization percentage.

(26:488-490)

State equalization percentage amounts. Since 1949, there has been a state deficiency more often than not. The state equalization percentage and the state deficiency percentage for each year since the Foundation Program Act was passed is shown in Table X. (20:)

Table X indicates that there have only been seven out of the twenty years of the foundation program life that the estimated state equalization percentage has been 100 per cent for both elementary and high school financing. Thus, the requirement for a levy for a state deficiency has been necessary more often than not.

Legislative modifications. The Foundation Program Act of 1949 made the school district the taxing agency to raise the amount needed for the state deficiency (see Figure 1, page 25). (26:490) This method of taxation continued until 1963, when the law was amended to make the county the property tax base for the provision of all high school district state deficiency amounts in the county. (33:1173) The state deficiency was then renamed "Additional County Levy." (4:Topic 1, page 2) In the 1965 legislative assembly, the elementary school district state deficiency was made a county obligation and similarly renamed. (34:635) (4:Topic 1, page 2) Thus, the changing of the taxation base from the school district to the county provided a broader tax base and created a more "equalized" effort in the financing of the state deficiency.

District Levy for Remaining Local Obligation.

As has been mentioned in the state equalization payment discussion,

ANNUAL AMOUNTS OF THE STATE EQUALIZATION PERCENTAGE
AND STATE DEFICIENCY PERCENTAGE FOR THE
SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	State Equalization Percentage	State Deficiency Percentage
1949-50	90%	10%
1950-51	90	10
1951-52	100	0
1952-53	100	0
1953-54	100	0
1954-55	100	0
1955-56	95	5
1956-57	91	9
1957-58	91	9
1958-59	91	9
1959-60	90	10
1960-61	92	8
1961-62	89	11
1962-63	84	16
1963-64*		
Elementary	100	0
High School	98	2
1964-65*		
Elementary	100	0
High School	100	0
1965-66	100	0
1966-67	100	0
1967-68 [†]	89	11
1968-69	92	8

*A separate estimation of the elementary and high school state equalization percentages was required by a 1963 Legislative Assembly law. (33:1165 & 1166) This law was repealed in 1965. (34:630-632)

[†]The 1967 Legislative Assembly limited this year's state equalization percentage to 91%. (35:1319 & 1320)

the original enactment of the Foundation Program Act limited the state financing participation to 50 per cent. In other words, the state interest and income payment and the state equalization payment could not exceed one-half of a foundation program. Thus, after the determination of the amounts of the district five mill levy (in elementary school districts), county equalization, and district levy for state deficiency, the total of the three (two in high school situations) was compared to the foundation program amount. If the total of these revenues did not equal or exceed one-half of the foundation program, the district levy for remaining local obligation had to be imposed to raise the remainder of the locally financed one-half of the foundation program. (26:480)

For illustration, refer to Figure 1, page 25. In the elementary example, the three sources of revenue have provided \$40,000 or 40 per cent of the foundation program, even though there was a 10 per cent district levy for state deficiency. Thus, the district levy for remaining local obligation had to be imposed to raise the remaining 10 per cent or \$10,000 to complete the necessary financing of the local one-half of the foundation program.

The high school computation of the district levy for remaining local obligation was computed similarly within its structure of sources of revenue.

The 50 per cent limitation of state financial participation remained in effect until 1963 when the legislative assembly repealed it.

(33:1158) Today, the state's participation is on a complete equalization basis with no limitations of its financial participation other than a deficiency.

IV. SUMMARY OF FOUNDATION PROGRAM ELEMENTS

This chapter has presented an insight into the various elements in determining the amount and the financing of the foundation program on an element-by-element basis. It has not only described the principle of each element and its legislative history but has also illustrated the financial growth of each individual element.

Element Growth.

While the various sources of revenue have been increasing at what would appear to be astronomical rates (265 per cent to 328 per cent) in Tables IV, page 39; VI, page 48; and VII, page 51, the foundation program has been increasing at a similar rate of 250 per cent (Table XI, page 60) to keep pace with the growing school population, our mushrooming inflationary economy, and the publicly demanded educational services. (7:2) (14:83-88) But perhaps a more important factor of this total picture is the fact that the financing burden has been slowly shifting from the local property taxation sources of revenue to the state financing since the inception of the foundation program. Table XI shows this shift of the financial burden by enumerating the revenue from local sources of revenue and state sources of revenue from 1949-50 to 1968-69. This table also shows the foundation program amount for each of these years and its growth

ANNUAL FINANCING OF THE FOUNDATION PROGRAM BY LOCAL
AND STATE SOURCES OF REVENUE FOR THE
SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	Local Sources [†] (Property Taxation)		State Sources (I & I, Equalization)		Foundation Program
	Amount	Per Cent	Amount	Per Cent	
1949-50	\$13,688,570	66.7%	\$ 6,852,392	33.3%	\$20,540,962
1950-51	13,730,669	64.7	7,502,090	35.3	21,232,759
1951-52	13,225,241	61.8	8,169,063	38.2	21,394,304
1952-53	9,781,715	45.2	11,842,082	54.8 [‡]	21,623,797
1953-54	13,803,222	56.9	10,465,055	43.1	24,268,277
1954-55	14,367,477	56.6	11,019,105	43.4	25,386,582
1955-56	16,962,998	61.3	10,693,163	38.7	27,656,161
1956-57	17,824,209	62.5	10,698,998	37.5	28,523,207
1957-58	19,771,509	61.0	12,631,294	39.0	32,402,803
1958-59	20,396,949	60.5	13,312,852	39.5	33,709,801
1959-60	20,891,774	58.1	15,074,237	41.9	35,966,011
1960-61	21,086,438	56.7	16,124,189	43.3	37,210,627
1961-62	21,166,955	53.5	18,415,588	46.5 [‡]	39,582,543
1962-63	22,488,188	54.6	18,679,914	45.4 [‡]	41,168,102
1963-64	28,776,485	59.7	19,458,350	40.3	48,234,835
1964-65	25,218,130	51.0	24,245,683	49.0	49,463,813
1965-66	28,932,149	53.7	24,967,663	46.3	53,899,812
1966-67	28,184,775	51.3	26,721,820	48.7 [‡]	54,906,595
1967-68	37,127,366	53.6	32,133,717	46.4	69,261,083
1968-69	38,001,005	53.5	32,995,129	46.5	70,996,134

*This table has been developed on the basis of actual amounts of the foundation program and state sources of revenue. The state sources amount has been taken from Tables IV, p. 39 and IX, p. 54. The local source amount has been determined by subtracting the state sources from the foundation program.

[†]Local sources includes the District Five Mill Levy, County Equalization Payments, District Levy for State Deficiency, Additional County Levy (State Deficiency) and District Levy for Remaining Local Obligation in their applicable years.

[‡]The state sources exceed 50% because of the "oil boom" in this year and the method of calculation explained in the "*" footnote above.

[‡]The state source amount in these years includes the additional state revenue described in the footnotes "[†]" and "[‡]" in Table IX, p. 54.

through the years due to enrollment increases and legislative increases of the schedules. (11:48) (12:29) (13:175) (14:45,72) (15:52,80) (16:31, 62) (17:Tables 20,40) (20:)

Financing the Foundation Program in 1969.

In figure 1, page 25, the 1949-50 sources of revenues and their sequence of application were illustrated. As is evident by the explanation of each source of revenue, there have been several changes in various financing factors but not in the principles. Figure 3 illustrates the method of financing the foundation program for hypothetical elementary and high school districts at the present time.

A comparison of the hypothetical examples in Figures 1 and 3 shows the cumulative effect of the changes in the financing of the foundation program in the period of 1949-50 to 1968-69.

I. Elementary

- A. Deletion of the district five mill levy.
- B. Change of the state deficiency from a school district obligation to a county obligation.
- C. Deletion of the district levy for remaining local obligation by removing the one-half limitation of state financing (note state financing in Figure 3).

II. High School

- A. Change of the state deficiency from a school district obligation to a county obligation.

ELEMENTARY SCHOOL

HIGH SCHOOL

Foundation Program-\$100,000

Foundation Program-\$100,000

4th
Source

County Additional Levy
for State Deficiency
\$10,000 10%

County Additional Levy
for State Deficiency
\$10,000 10%

3rd
Source3rd
Source

State Equalization
Payment
\$50,000 50%

State Equalization
Payment
\$60,000 60%

2nd
Source2nd
Source

County Equalization
Payment
\$30,000 30%

County Equalization
Payment
\$30,000 30%

1st
Source1st
Source

State Interest and
Income Payment
\$10,000 10%

\$30,000 30%

FIGURE 3
HYPOTHETICAL ILLUSTRATION OF
FINANCING THE FOUNDATION PROGRAM IN 1969-70

- B. Deletion of the district levy for remaining local obligation by removing the one-half limitation of state financing (note state equalization payment in Figure 3, page 62).

In addition to these changes, the mill levy for the support of the county equalization payments has increased from 10 mills for elementary purposes and 10 mills for high school purposes to 25 mills for elementary and 15 mills for high schools.

CHAPTER VI

FINANCING THE AREA ABOVE THE FOUNDATION PROGRAM

Chapter V has described the financing of the foundation program; or, in other words, the financing of the minimum educational program. The Foundation Program Act also provided a basis for financing a more than minimum educational program. This basis of financing was through two sources of revenue: (1) district permissive levy and (2) district voted levy.

The financing of the educational program beyond the minimum education program, or the foundation program, has come to be popularly known as the "area above the foundation program" since it is the financing of the educational program above the minimum requirement. This chapter will present the legislative and financing history of the area above the foundation program.

I. DISTRICT PERMISSIVE LEVY

The first source of revenue in financing the area above the foundation program was the district permissive levy. Any or all of this levy could be used. The amount that was used was at the discretion of the board of trustees. Whatever amount was used was raised by a property tax on the school district. (4:Topic 2, p.3)

Original Provision and Subsequent Modifications.

As has been explained earlier in Chapter III, the district permissive levy was not open-ended. The Foundation Program Act in 1949 established

this levy and a maximum limitation for it. The maximum limitation has been subject to many legislative changes during the life of the foundation program. The original provision and subsequent amendments of the district permissive levy maximum limitation are explained below.

In 1949, the district permissive levy was limited by a percentage of the foundation program. The elementary permissive levy could be 20 per cent of the foundation program, and the high school permissive levy was limited to 15 per cent of the foundation program. (26:481,484)

The following legislative assembly (1951), which did not increase the foundation program schedules, did increase the district permissive levy limitation. It provided that the elementary permissive levy be limited to 30 per cent of the foundation program or the amount a 15 mill levy could raise in the school district, whichever was smaller. The high school limitation was set at 30 per cent of the foundation program for high schools with 100 ANB or less and 25 per cent of the foundation program for high schools with an ANB over 100, or the amount a 10 mill levy could raise in the high school district, whichever was smaller. (27:521-525)

In 1953, the district permissive levy limitations set in 1951 were maintained but the legislature provided that only 93 per cent of the 1953 enacted foundation program amount could be used for calculating the percentage limitations. (28:614-617)

In 1955, the 93 per cent provision of the 1953 legislative assembly was repealed. (29:526-528)

The next legislation to affect the district permissive levy was enacted in 1961. The 1961 amendment was to assist those school districts receiving federal impact funds (Public Law 874). Many of the school districts limited by the mill levy limitation enacted in 1951 now received a sufficient amount of P. L. 874 funds to completely finance all district property taxation and then some. Since voter approval had to be given to expend the surplus federal money, the legislature gave these school districts the authority to extend their permissive levy limitations, within the percentage limitations, by the amount of surplus federal funds that remained after all other district property taxation had been financed by revenue other than property taxation. (32:700)

In 1963, the method of expressing the district permissive levy limitation in the law was changed. As explained above, prior to this time the limitation was merely a percentage of the foundation program or a property tax amount. The foundation program was the only amount included in a schedule. The 1963 legislative assembly revised this method completely. With this enactment, the foundation program and the district permissive levy were added together to establish the new schedule called "Maximum General Fund Budget Without a Voted Levy." The foundation program was established as 75 per cent of this schedule and the district permissive levy limitation was the remaining 25 per cent. Therefore, the district permissive levy limitation was then 33.3 per cent ($75\% \div 25\%$) of the foundation program. In addition to this, the mill levy limitation was repealed. (33:1158,1162,1172-1174)

The last amendment to the district permissive levy limitation was made in 1967. This amendment was to the percentage of the schedule that was the foundation program and, thus, the district permissive levy. This amendment specified that the foundation program would be 80 per cent of the schedule amount and that the district permissive levy limitation would be 20 per cent. Thus, the permissive levy was 25 per cent ($80\% \div 20\%$) of the foundation program (35:1118)

Use of the District Permissive Levy.

The amount of the allowable district permissive levy used by a school district was completely within the discretion of its board of trustees. Thus, a school district could use a part or all of the permissive levy that was allowed under the legal limitations described above. (26:481,484)

Table XII shows the per cent the statewide permissive levy has been of the statewide foundation program each year since the beginning of the foundation program. (9:55) (10:68 & 69) (11:50) (12:29) (13:175) (14:45,72) (15:52,80) (16:31,62) (17:Tables 20,40) (20:) The relationship of the permissive levy used percentage to the maximum allowable percentage indicates the significance of this source of revenue in the financing of Montana schools since 1949-50. In general, the use of the permissive levy progressed from a low of 14.6 per cent of the foundation program in 1949-50 to 33.0 per cent in 1966-67. The 33.0 per cent in 1966-67 was the maximum limitation in that year. In fact, the per cent the permissive levy used was of the foundation program for the last six years (1963-64 through 1968-69) has been

TABLE XII

COMPARISON OF PERMISSIVE LEVY USED WITH FOUNDATION PROGRAM AMOUNT
FOR THE SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	Foundation Program	Permissive Levy Used	Perm. Levy Used Per Cent of Foundation Program
1949-50	\$20,540,962	\$ 3,000,638	14.6%
1950-51	21,232,759	3,145,000	14.8
1951-52	21,394,304	4,403,396	20.6
1952-53	21,623,797	5,453,297	25.2
1953-54	24,268,277	6,000,466	24.7
1954-55	25,386,582	6,380,921	25.1
1955-56	27,656,161	7,197,634	26.0
1956-57	28,523,207	7,787,052	27.3
1957-58	32,402,803	8,362,183	25.8
1958-59	33,709,801	8,930,478	26.5
1959-60	35,966,011	9,447,723	26.3
1960-61	37,210,627	9,688,110	26.0
1961-62	39,582,543	11,114,825	28.1
1962-63	41,168,102	11,451,526	27.8
1963-64	48,234,835	15,182,577	31.5
1964-65	49,463,813	16,045,339	32.4
1965-66	53,899,812	17,476,613	32.4
1966-67	54,906,595	18,110,765	33.0
1967-68	69,261,083	16,867,599	24.4
1968-69	70,996,134	17,513,709	24.7

nearly all of the allowable amount. The percentages in 1967-68 and 1968-69 are less because the limitation was reduced by the legislature.

II. DISTRICT VOTED LEVY

The district voted levy was the second and last source of revenue available to finance the area above the foundation program. It was financed by school district property taxation and had to be approved on an annual basis by the taxpaying electors of the school district at an election called for that purpose. There was no limitation of the amount of this revenue other than the discretion of the board of trustees in asking for the approval of the taxpaying electorate. The basis of raising the district voted levy has not changed since the original 1949 enactment, other than in the method of conducting the election (4:Topic 2, p. 3).

The district voted levy amounts that have been used since the enactment of the foundation program are shown in Table XIII. (9:55) (10:68 & 69) (11:50) (12:29) (13:175) (14:45,72) (15:52,80) (16:31,62) (17:Tables 20,40) (20:) This table indicates that the statewide total of elementary and high school district voted levies have been increasing, at a rate similar to the permissive levies. While the yearly amounts have increased from \$1,760,000 in 1949-50 to \$14,443,070 in 1968-69, the amounts have fluctuated in relation with the increases of the foundation program schedule and changes of the permissive levy limitations.

TABLE XIII

TOTAL DISTRICT VOTED LEVIES IN MONTANA FOR THE
SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	District Voted Levy
1949-50	\$ 1,760,000
1950-51	2,084,000
1951-52	2,202,300
1952-53	2,651,974
1953-54	2,401,901
1954-55	3,049,291
1955-56	2,871,385
1956-57	4,109,919
1957-58	3,388,192
1958-59	3,506,730
1959-60	5,000,042
1960-61	7,158,311
1961-62	7,757,034
1962-63	9,532,360
1963-64	4,845,686
1964-65	6,073,174
1965-66	6,240,391
1966-67	9,586,068
1967-68	9,062,938
1968-69	14,443,070

CHAPTER VII

THIRTY-EIGHTH LEGISLATIVE ASSEMBLY AMENDMENT OF THE FOUNDATION PROGRAM

As shown in the discussions of the foundation program, the general fund and their revenues, several modifications were made in the Foundation Program Act by the Thirty-Eighth Legislative Assembly in 1963. These changes were, of course, by design. The House of Representatives of the Thirty-Seventh Legislative Assembly (1961) passed House Resolution No. 5 which requested the Governor to appoint a committee to study specific factors of the Foundation Program Act. These factors included deficiency financing of the state's obligation for equalization, foundation program schedules, ANB anticipation, and the 50 per cent limitation of state participation. (21:2)

A committee of 46 educators and lay people was appointed by the Governor to work during the interim period before the Thirty-Eighth Legislative Assembly on the directives of the House of Representatives resolution. (21:Forward) The recommendations of this committee's study were incorporated in Senate Bill 20, Thirty-Eighth Legislative Assembly in 1963. The bill was enacted and modified the Foundation Program Act in some of the areas defined by the House of Representatives of the previous legislative assembly. (33:1155-1176)

The first area of modification dealt with the method of expressing the foundation program schedule in the law. Prior to this time, the amount

of the allowable foundation program had been stated in the schedule and the permissive levy was a percentage of the foundation program except when limited by the 15 mill amount. The committee recommended that there be two schedules adopted; one for the foundation program and another for the total of the foundation program plus the permissive levy (Maximum General Fund Budget without a voted levy). (21:16,18-22) In the actual enactment, the legislative assembly discarded the two schedule approach and included only one schedule. However, the schedule the legislature did enact was not the foundation program schedule but the "Maximum General Fund Budget without a voted levy" schedule. The foundation program was established as 75 per cent of this schedule, the opposite of the previous schedule relationship of the foundation program and permissive levy. (33:1162) Thus, the Foundation Program Act was modified by deleting the 15 mill district permissive levy limitation and increasing the percentage limitation of the district permissive levy from 30 per cent (25 per cent for large high schools) to 33 1/3 per cent for all schools.

The second area of modification was the financing of the foundation program. This modification was prompted by the annually increasing deficiency of available state equalization financing and the generally accepted contention that the 50% limitation of state participation was not equitable. To resolve either of these situations, more financing would have to be provided by the state equalization payment or the county equalization payment or both. The Committee suggested a combination of the two revenues approach. (21:16,17,18) The legislature implemented the

combination when it increased the county equalization mill levies along with an increase of the state equalization revenue. The elementary county equalization mill levy was increased from 10 mills to 25 mills and the similar high school mill levy from 10 mills to 15 mills. To partially offset the elementary mill levy increase, the district five mill levy was discontinued. (33:1158,1166,1172-1174)

This modification enactment further provided, that, if there was a state deficiency at the high school level, the financing of it would be provided by a county-wide mill levy. The similar elementary mill levy requirement remained as a school district property obligation. (33:1158)

A third area of the committee's suggested modification was the calculation of ANB. Since the ANB used to determine the foundation program was the previous year's ANB, the committee recommended that a method of anticipating ANB increases be enacted. (21:18) While the legislature did not enact the committee's proposal, it did enact a method of anticipating unusual ANB increases in school districts experiencing a large influx of students caused by dam construction, missile activities, and other large-population-shift activities. (33:1122 & 1123)

CHAPTER VIII

GENERAL FUND AND SCHOOL FINANCE STRUCTURE

Chapters V and VI have presented the legislative and financial history of the foundation program and the area above the foundation program. These chapters have established the methods of determining the amounts of the two areas of financing, the sequencing of the sources of revenue to finance the areas, and the method of providing the money for the sources of revenue. Nothing has been presented to establish the relationship of the foundation program and the area above the foundation program. Beyond this relationship, nothing has been said about the relationship of these two areas of financing to the total school finance structure.

The purpose of this chapter is to establish these relationships and to place the areas of financing in their proper financial perspective to each other and to the total financing of education in Montana.

I. GENERAL FUND

The general fund has been established for the purpose of financing the general maintenance and operation of the schools. Such items as teachers' salaries, textbooks, administrative costs, maintenance and operation costs, heat, library materials, and social security are examples of education expenditures that must be financed by the general fund. Thus,

the general fund is the financial instrument for provision of the education program. (4:Topic 8, 1-22)

The foundation program was established by the Foundation Program Act to guarantee a minimum educational program. In addition to this, the Act also provided financing of the educational program through the area above the foundation program. (23:473-491) Thus, the combination of the two areas of financing is the general fund. That is:

$$\begin{array}{c}
 \text{Foundation Program} \\
 \text{plus} \\
 \text{Area above the Foundation Program} \\
 \text{equals} \\
 \text{General Fund}
 \end{array}$$

This basis of establishing the financing of the general fund was provided by the Foundation Program Act and has not been changed since that time. (4:Topic 2, pp. 2-4)

While the basis of establishing the general fund financing has not been changed, the proportion of the general fund financing provided by each of the two areas has appreciably changed. Table XIV illustrates the dollar and percentage relationship of the two areas of financing during the lifetime of the foundation program. (9:55) (10:68 & 69) (11:50) (12:29) (13:175) (14:45,72) (15:52,80) (16:31,62) (17:Tables 20,40) (20:) This table indicates that the percentage of the general fund financed by the area

TABLE XIV

GENERAL FUND FINANCING BREAKDOWN BETWEEN FOUNDATION PROGRAM
AND AREA ABOVE FOUNDATION PROGRAM FOR THE
SCHOOL YEARS 1949-50 THROUGH 1968-69

Year	<u>Foundation Program</u>		<u>Above Foundation Program</u>		<u>General Fund</u>
	Amount	% of G. F.	Amount	% of G. F.	Amount
1949-50	\$20,540,962	81.2%	\$ 4,760,638	18.8%*	\$ 25,301,600
1950-51	21,232,759	80.2	5,229,000	19.8 *	26,461,759
1951-52	21,394,304	76.4	6,605,696(est)	23.6	28,000,000(est)
1952-53	21,623,797	72.7	8,105,271	27.3	29,729,068
1953-54	24,268,277	74.3	8,402,367	25.7	32,670,644
1954-55	25,386,582	72.9	9,430,212	27.1	34,816,794
1955-56	27,656,161	73.3	10,069,019	26.7	37,725,180
1956-57	28,523,207	70.6	11,896,971	29.4	40,420,178
1957-58	32,402,803	73.4	11,750,375	26.6	44,153,178
1958-59	33,709,801	73.0	12,437,208	27.0	46,147,009
1959-60	35,966,011	71.3	14,447,765	28.7	50,413,776
1960-61	37,210,627	68.8	16,846,421	31.2	54,057,048
1961-62	39,582,543	67.7	18,871,859	32.3	58,454,402
1962-63	41,168,102	66.2	20,983,886	33.8	62,151,988
1963-64	48,234,835	70.7	20,028,263	29.3	68,263,098
1964-65	49,463,813	69.1	22,118,513	30.9	71,582,326
1965-66	53,899,812	69.4	23,717,004	30.6	77,616,816
1966-67	54,906,595	66.5	27,696,833	33.5	82,603,428
1967-68	69,261,083	72.8	25,930,537	27.2 *	95,191,620
1968-69	70,996,134	69.0	31,956,779	31.0 *	102,952,913

*District Permissive Levy limitation was a smaller proportion of Foundation Program in these years than in the other years. (26:481,484) (35:1118)

above the foundation program has increased from a low of 18.8 per cent in 1949-50 to a high of 33.8 per cent in 1962-63, and has remained at more than 30 per cent every year since that time except for 1967-68, the first year of the 25 per cent permissive levy limitation. Thus, the dependence of the school district in financing its educational program upon the area above the foundation program and, thus, property taxation has increased an appreciable, proportionate amount.

II. SCHOOL FINANCE STRUCTURE

The general fund does not finance the total operation of schools in Montana. Several special programs such as transportation, school lunch, and federal programs are handled through separate funds. In fact, the general fund is only one of eighteen funds available to the school district in financing the various phases of its operation. Figure 4 enumerates the eighteen different funds in the fund structure for Montana schools and indicates the availability of the fund for use by the elementary and high school district.

Even though the general fund is only one of eighteen separate funds available to the elementary and high school districts, it provides the largest share of the total financing of the operation of the school district. Table XV, page 79 shows the proportion of the total cost of public elementary and secondary education in Montana that the general fund has financed during the lifetime of the foundation program. (8:93) (9:55,71,73) (10:68,69,82,84) (11:50,55,57) (12:26,29) (13:17,28,175) (14:26,45,49,72)

Fund Name	<u>Available to:</u>	
	Elementary	High School
General	X	X
Transportation	X	X
Bus Depreciation Reserve	X	X
School Lunch	X	X
Tuition	X	Provided by County Financing
Retirement	X	X
Debt Service (Bonds)	X	X
Leased Facilities	X	X
Miscellaneous Federal Funds	X	X
Building	X	X
Building Reserve	X	X
Adult Education	X	X
Housing and Dormitory	X	X
Non-Operating School District	X	
Operation Head Start	X	
Driver Education		X
Interlocal Cooperative Agreement	X	X
Post-Secondary Vocational-Technical		X

FIGURE 4

MONTANA SCHOOL FUND STRUCTURE

TABLE XV

PERCENTAGE OF TOTAL COST OF MONTANA PUBLIC SCHOOL EDUCATION
FINANCED BY GENERAL FUND FOR THE SCHOOL YEARS
1949-50 THROUGH 1967-68

Year	Total Cost	General Fund	Per Cent Gen'l Fund is of Total Cost
1949-50	\$ 33,527,879	\$ 25,301,600	75.5%
1950-51	36,019,416	26,461,759	73.5
1951-52	37,104,278	28,000,000 (est.)	75.5
1952-53	41,364,846	29,729,068	71.9
1953-54	47,413,545	32,670,644	68.9
1954-55	49,566,756	34,816,794	70.2
1955-56	57,976,370	37,725,180	65.1
1956-57	58,995,350	40,420,178	68.5
1957-58	64,646,030	44,153,178	68.4
1958-59	64,917,966	46,147,009	71.1
1959-60	65,183,549	50,413,776	77.3
1960-61	79,024,607	54,057,048	68.4
1961-62	84,080,213	58,454,402	69.5
1962-63	89,203,584	62,151,988	69.7
1963-64	94,232,310	68,263,098	72.4
1964-65	96,135,039	71,582,326	74.5
1965-66	104,664,609	77,616,816	74.2
1966-67	119,655,922	82,603,428	69.1
1967-68	136,554,321	95,191,620	69.8
1968-69*			

*Not available since the costs will not be reported to the Superintendent of Public Instruction until September 1, 1969.

(15:29,52,56,80) (16:9,31,35,62) (17:Tables 1,20,22,40) The average per cent that the general fund has been of the total cost is 71.3 per cent with a low of 65.1 per cent in 1955-56 and a high of 77.3 per cent in 1959-60.

CHAPTER IX

A REVIEW OF FOUNDATION PROGRAM LEGISLATIVE ACTION

This review has been prepared on the basis of an analysis of the data presented in this paper and the personal experience of working with the foundation program in the Superintendent of Public Instruction's office since 1959. The analysis is in no way meant to be critical of any of the legislative action. As any athletic coach knows, anybody can quarterback the Saturday football game on Monday morning.

I. THIRTY-FIRST LEGISLATIVE ASSEMBLY (1949)

Members of the Thirty-First Legislative Assembly probably experienced more support from their constituents for foundation program legislation than any assembly before and since it. With the failure of the foundation program legislation in 1947, the people of Montana in all walks of life, in every community, and of most political philosophies were supporting the 1949 legislation. Support was largely due to the "grassroots" committee that had been formed after the 1947 Legislative Assembly adjournment to reach out to the grassroots of Montana and inform the people about the proposed foundation program.

Reinforcement for the legislation was found in the concern of the taxpaying citizenry with their property taxation in an inflationary economy. In the postwar years prior to 1949, the American economy experienced an inflationary trend that increased the cost of Montana education at a

much faster rate than the property tax base was increasing. Since the cost of education was largely borne by the property taxpayer, he was paying more and more taxes to support the inflationary cost of education for a growing school population. The increase of property taxation was becoming especially burdensome in school districts with a comparatively small taxable valuation in relation to the number of children it had to educate. The property tax rate was not only high; it was highly inequitable in that the taxpayers in some school districts were paying as much as six times what the taxpayers of other school districts were paying for the identical education program.

With an inequitable distribution of the tax load not only among property taxpayers but also between property taxpayers and other types of taxpayer tax bases, the expressed need for a more equitable basis of support for schools was audible throughout the state. In view of this tax situation, it was not difficult for the "grassroots" committee members to enlist the support of the property taxpayers for a method of financing schools that provided for the equalization of the cost of the minimum educational program and for more sharing of the tax load by other tax bases at the state level.

While the taxpayer foresaw more equitable taxation, the educator viewed the foundation program legislation as a means of more adequate financing of his school's educational program--teachers' salaries, current textbooks and instructional equipment, updated libraries, maintenance and

repair of school buildings, and numerous other long-needed improvements.

With this type of support from all areas of Montana, a legislative member in 1949 had several reasons for supporting the passage of the Foundation Program Act.

Opposition to the Foundation Program Act was largely from the standpoint that it would require more state financing than the present state tax rates and bases were producing. The 50 per cent limitation of state financing was a compromise provision of the Foundation Program Act that satisfied the opposition and allowed the passage of the Act.

State financing of the foundation program during the first biennium of operation fell short of the total obligation and a district levy for state deficiency had to be used in spite of the 50 per cent limitation of state financing. The state equalization percentage in both the 1949-50 and 1950-51 fiscal years was 90 per cent (Table X, page 57). Thus, 10 per cent of each year's foundation program amount had to be raised by school district property taxation through the deficiency mill levy. (1:4) (7:2) (37:)

II. THIRTY-SECOND LEGISLATIVE ASSEMBLY (1951)

The Thirty-Second Legislative Assembly is the only legislative assembly that did not enact an increase of the foundation program schedules (Table II, page 35). As explained above, this legislature faced the experience of a large deficiency of state financing. In order to finance this deficiency and any increase of the foundation program schedules, more state

equalization revenue would have had to be funded. Rather than provide more state equalization revenue to finance a corresponding increase of the foundation program schedules, the percentage limitation of the district permissive levy was increased. As was explained in Chapter VI, the 1951 legislature increased the elementary school permissive levy limitation to 30 per cent from 20 per cent of the foundation program and, for the high schools, to 30 per cent or 25 per cent, depending upon the size of the school, from 15 per cent.

The 1951 legislative action reversed the intention of the 1949 Legislative Assembly in that it allowed more of the tax burden to be placed on the property taxpayer with the state financing remaining stagnant. A review of various tables involving the district permissive levy in this paper exemplifies the effect of this legislation. Table XII, page 68 shows that, while the 1951-52 and 1952-53 foundation program amounts increased only slightly, the district permissive levies increased by 40 per cent in 1951-52 and another 24 per cent in 1952-53.

The failure to fund additional state financing of the state equalization payment (Table VII, page 51) should have necessitated the continuation of a less than 100 per cent state equalization percentage and, thus, a state deficiency. However, in this respect, the actual financing of the foundation program did not result in a state deficiency because the Williston Oil Basin was developed. The oil boom increased the state interest and income payment revenue from \$2,766,465 in 1951-52 to \$8,291,403 in 1952-53

(Table IV, page 39). In addition, it increased the total taxable valuation of the state by over 7 per cent in 1951-52 and by another 7.5 per cent in 1952-53 (Table VI, page 48). These types of increases in the first sources of revenue to finance the foundation program did, of course, reduce the need for the later sources of revenue such as the state equalization payment.

III. THIRTY-THIRD LEGISLATIVE ASSEMBLY (1953)

The Thirty-Third Legislative Assembly met, riding on the crest of an oil boom economy. This economy, along with the fact that the property taxpayer was paying more and more of the educational cost through district permissive levies and district voted levies, brought support for an increase of the foundation program schedules.

Probably the major factor in support of schedule increases was from the educator. It had been four years since the allowable amount for the minimum educational program had been increased. With the inflationary economy that was being experienced, the 1949 enacted schedules were inadequate to provide the necessary financing of a minimum program. Besides the inadequacy of the schedules, the schools were beginning to feel the influx of the "war babies." Table I, page 33, shows that the 1952-53 ANB used to adopt the 1953-54 foundation program was up 4,147, a 4.1 per cent increase of enrollment.

In view of these factors, it was probably not difficult for a legislator to support foundation program schedule increases. A varying increase

was provided by this legislature that averaged 9.9 per cent for elementary schools and 10.4 per cent for high schools (Table II, page 35). In addition to this, the legislature recognized the concern of the property taxpayer by specifying that the district permissive levy limitation would be 93 per cent of the ordinarily calculated limitation under the new schedules.

While the legislature was increasing the foundation program schedules and holding the line on the district permissive levy (Table XII, page 68), it did not provide any increase of financing for the state equalization payment (Table VII, page 51). Using hindsight at this time, it is difficult to visualize how the legislature anticipated financing the increased foundation program caused by the schedule increases. Possibly, it was anticipated that the oil-stimulated economy would continue.

In actual operation during the 1953-54 and 1954-55 school years, the foundation program amounts increased considerably while the district permissive levy increases were nominal (Table XII, page 68). Regardless of the lack of increased state financing provided for the equalization payment, the drastic decrease of the state interest and income payment (Table IV, page 39), and the small increases of the statewide taxable valuation (Table VI, page 48), the state equalization percentages were still estimated at 100 per cent (Table X, page 57). The availability of \$2,870,700 in carry-over of state equalization funds from 1952-53, made possible by the now non-existent oil boom, probably made it possible to fully finance the state equalization obligation created by the 100 per cent state equalization estimate in

1953-54. However, a review of the available data for the 1954-55 school year indicates that, while it was estimated that the state would finance its total equalization obligation (100%), it did not actually do so. The files of the Superintendent of Public Instruction (20:) indicate that the state equalization payment was \$1,180,468 short of its obligation. This shortage of financing had to be raised by district property taxation in subsequent years. Thus, the statement that the state equalization percentage was 100 per cent in 1954-55 is not correct when the actual financing is taken into consideration.

IV. THIRTY-FOURTH LEGISLATIVE ASSEMBLY (1955)

The assembly of the legislature in 1955 probably viewed several factors of the foundation program in a completely opposite manner than the immediately preceding assembly. Various revenue bases now felt the full effect of the discontinuance of the oil activity in the Williston Oil Basin. The 1953-54, 1954-55, and 1955-56 interest and income payments had been about one-half what they had been in 1952-53, (Table IV, page 39). Statewide taxable valuations that had increased at the rate of more than 7 per cent in 1951-52 and 1952-53 had increased at the rates of 1.5 per cent in 1953-54 and 2.7 per cent in 1954-55, (Table VI, page 48). In addition to this, the state equalization payment could not finance its full obligation in 1954-55.

Outside of the financing of the foundation program, the schools were now experiencing the full effect of the "war babies." Enrollments had increased to the point where they were causing 5 per cent increases of the ANB

each year (Table I, page 33). This effect, coupled with the still existing inflationary economy, created the need for an increase of the foundation program schedules.

The necessity for financing and schedule increases probably formed the most difficult foundation program legislation situation to confront a legislative assembly to date. The solution to the situation was the enactment of varying foundation program schedule increases averaging 4.7 per cent for elementary schools and 15.3 per cent for high schools (Table II, page 35). Once again, no appreciable increase of the financing of the state equalization payment was provided (Table VII, page 51).

With the stagnation of the revenue bases, financing of the foundation program in the 1955-57 biennium following the Thirty-Fourth Legislative Assembly was, as one might anticipate, no different from that in the past biennium. In line with this prospect of financing, the state equalization percentages were set at 95 per cent in 1955-56 and 91 per cent in 1956-57 (Table X, page 57). Even with the reduction of state equalization percentages, the salvation of the foundation program financing was probably due to the fact that the statewide taxable valuations once again took a substantial upward turn (Table VI, page 48).

The financing of the area above the foundation program of the general fund also made a large increase during the 1955-57 biennium. The district permissive levy increased by \$800,000 in 1955-56 and by another \$600,000 in 1956-57 (Table XII, page 68). These increases, undoubtedly, were

caused largely by the lifting of the 93 per cent of the regular limitation enacted in 1953; however, these increases did, correspondingly, increase property taxation. Another increase of property taxation in the area above the foundation program was caused by the district voted levy. This levy took its biggest, single-year jump to date in 1956-57 when it increased from \$2,871,385 to \$4,109,919 for an increase of \$1,238,534 (Table XIII, page 70).

V. THIRTY-FIFTH LEGISLATIVE ASSEMBLY (1957)

When the Thirty-Fifth Legislative Assembly convened, it faced the same financing and schedule-increase problems that the preceding assembly had faced but the problems were now enlarged by two years of inflation, enrollment growth and lack of substantial growth of the revenue bases. In fact, the taxpaying contingent of Montana's population was undoubtedly knocking at the legislators' doors to express their dislike of the increased property taxation that had taken place through the state deficiency of financing and increased tax levies for the area above the foundation program.

This legislative assembly attempted to keep up with these trends by increasing both the foundation program schedules and the financing of the state equalization payment. The foundation program schedules were increased an average of 11.1 per cent for elementary schools and an average of 9.8 per cent for high schools (Table II, page 35). Increased state equalization funds were provided through a larger state general fund appropriation and increased state income tax and corporation license tax (Table VII, page 51).

The actual experience of financing under these provisions of the 1957 legislature was an extension of the experience during the immediately preceding biennium. The interest and income payment continued to decline slightly each year (Table IV, page 39); the taxable valuation continued to increase annually at a steady rate (Table VI, page 48); and, as mentioned before, more state equalization funds were available. Regardless of this improved financing situation, the state equalization percentage continued at 91 per cent and, thus, required a state deficiency property tax. The fact that this deficiency existed was probably because of the failure of the state equalization financing to keep pace with the foundation program schedule increases, along with the continued "war baby" increase of the ANB (Table I, page 33).

VI. THIRTY-SIXTH LEGISLATIVE ASSEMBLY (1959)

At the convening of the Thirty-Sixth Legislative Assembly, the members found the financing of the foundation program and the need for schedule increases in a similar situation to those experienced by past legislative sessions. The schedule increases provided by the Thirty-Fifth Legislative Assembly had decreased the need for financing above the foundation program. Both the increased use of the district permissive levy (Table XII, page 68) and the use of the district voted levy (Table XIII, page 70) declined during the 1957-59 biennium.

Table XI, page 60, indicates that 1958-59 was the fourth straight year since the oil boom in 1952 and 1953 that the state sources of revenue

had not provided more than 40 per cent of the foundation program financing. This state portion of financing brings out the fact that: (1) the interest and income source of revenue had been steadily decreasing since the oil boom (Table IV, page 39); (2) the financing of the state equalization payment had remained stagnant until the previous legislative session (Table VII, page 51); (3) the foundation program schedules had been increased an average cumulative percentage of 27.8 per cent for elementary schools and 46.3 per cent for high schools (Table II, page 35). In other words, the legislatures had provided schedule increases but had not provided the offsetting state financing since the drop in the oil activity in 1953. This is evident when the state equalization and state deficiency percentages in Table X, page 57, are reviewed. Thus, it would appear that the Thirty-Sixth Legislative Assembly intended to reverse this trend and provide a higher percentage of state financing when it increased the foundation program schedules by an average of 4 per cent for elementary schools and an average of 4.7 per cent for high schools (Table II, page 35). At the same time, the assembly provided more state equalization financing by increasing the state general fund appropriation and the rates on state income tax and corporation license tax (Table VII, page 51).

The intentions of this legislature to increase the state's share of financing of the foundation program were successful (Table XI, page 60). While this increase of the state's share of financing took place, the deficiency of state financing continued at the same rate as the previous biennium. The state equalization percentage was 90 per cent in 1959-60 and

92 per cent in 1960-61 (Table X, page 57); however, as the Table IX, page 54, footnote "*" explains, the state equalization obligation at the estimated 90 per cent in 1959-60 was not entirely financed. A continuation of this comparatively lower state equalization percentage was due mainly to the fact that suddenly the rate of the annual taxable valuation increase subsided. Statewide taxable valuations increased by 1.3 per cent in 1959-60 and by 2.7 per cent in 1960-61 compared to average increases of 4.7 per cent over the previous four years (Table VI, page 48). While the state interest and income payment finally began an upward trend (Table IV, page 39), its increase, along with the state equalization payment increase, was not enough to offset the failure of taxable valuations to keep pace and still provide the necessary financing for the small schedule increases.

Thus, even a small increase of the foundation program schedules could not be financed more adequately than previously. While the small schedule increases did accomplish the more balanced financing (state and local), they also forced more financing of the educational program into the above the foundation program area, the district voted levy to be specific. The voted levy increased from \$3,506,730 to \$5,000,042 in 1959-60 and to \$7,757,034 in 1960-61 (Table XIII, page 70).

VII. THIRTY-SEVENTH LEGISLATIVE ASSEMBLY (1961)

The Thirty-Seventh Legislative Assembly of 1961 is commonly known as the "austerity" assembly since the Governor had proposed an austerity program in his budget request. The program is reflected in the smallest

ever (3 per cent) increase of the foundation program schedules (Table II, page 35) and the cutback of the state General Fund appropriation for state equalization by \$480,000 for the 1961-63 biennium (Table VII, page 51).

Probably the most important aspect of the 1961 legislature was the apparent dissatisfaction with the foundation program method of financing schools. It had been seven years since the state actually financed its complete obligation and its ability to do so was slowly decreasing rather than recouping the previous losses of financing ability. Property taxes were consistently increasing from one year to another in an attempt to keep pace with the inflationary costs and increasing enrollments. An austerity program could not synchronize with a program of additional state financing, reduction of property taxation, and increased foundation program schedules. In keeping with this position and as mentioned above, state equalization financing was decreased and the schedules were increased by only a small amount. In an attempt to decrease property taxation, this legislature enacted an unprecedented distribution of state funds outside of the foundation program financing. This was the Classroom Unit Assistance distribution of state funds. The act, Chapter 245, Laws of 1961 (32:695-697) provided for the distribution of \$855,544 each year of the 1961-63 biennium on the basis of an equal amount for each classroom unit in the state. A classroom unit was defined as a full-time teacher, principal, guidance counselor, or superintendent. This state aid was required to be used for property tax reduction.

While the 1961 legislature fell short of providing the necessary financing, it may have enabled, knowingly or unknowingly, the salvation of the financially unstable foundation program. House Resolution No. 5 (21:2) provided for a study committee on the foundation program. A discussion of this committee was presented in the "Thirty-Eighth Legislative Assembly Amendment of the Foundation Program," Chapter VII.

As would be anticipated, the result of the financial operation under the Thirty-Seventh Legislative Assembly's foundation program legislation was an amplification of both the inability to finance the minimum educational program through the foundation program and the inability to finance the state equalization obligation. When the foundation program could not finance the minimum educational program, it forced the financing into the area above the foundation program. In turn, the financing of the more-than-minimum educational program had to be in addition to the minimum program financing infringement upon this area of financing. Since the 3 per cent schedule increase did not adequately provide for the increased cost of the minimum program, the increase of the total educational program was provided in the area above the foundation program. Table XIV, page 76, shows this fact in educational financing. While the proportion of the general fund provided by the area above the foundation program had reached an all time high of 31.2 per cent in 1960-61, this proportion continued to increase in the 1961-63 biennium to 32.3 per cent in 1961-62 and 33.8 per cent in 1962-63.

The ability of the state to finance the state equalization payment

took a drastic dip from the already inadequately financed payment. The state equalization percentage exemplifies this by its decrease to 89% in 1961-62 and to 84% in 1962-63 (Table X, page 57). But this drastic decrease of the state's ability to finance its obligation was not entirely caused by the lack of available state equalization funds. Table VI, page 48, shows the secondary factor in the decrease, the failure of the county equalization funds to grow during the 1961-63 biennium. County equalization, of course, was dependent upon the growth of the taxable valuation. For some reason, the taxable valuation decreased by \$870,797 in 1961-62 and increased by only \$2,460,595 in 1962-63.

When the actual financing of the 1962-63 foundation program is considered, the lack of state equalization financing was even more drastic. In this year, the state interest and income payment was larger than the estimation for financing purposes. Throughout the years, this amount had been both over-estimated and under-estimated but there had never been a middle-of-the-year or "after-the-fact" adjustment made of the obligation to be assumed by state equalization financing. With the lowest ever state equalization percentage, the State Board of Education ordered a reduction of the state equalization payment equal to the "over-payment" from the state interest and income payment in each school district. This order decreased the state equalization payment from the amount computed under the state equalization percentage of 84 per cent by \$550,000.

(20:)

VIII. THIRTY-EIGHTH LEGISLATIVE ASSEMBLY (1963)

In view of the financing developments during the 1961-63 biennium, the Thirty-Eighth Legislative Assembly would have been receptive to any legislative proposal that would have incorporated adequate financing of the educational program, 100 per cent financing of the state equalization obligation (no state deficiency), and a reduction of property taxation. Fortunately, the School Foundation Program Study Committee, mentioned previously in this paper, provided recommendations compatible to these legislative desires. The recommendations and subsequent legislative action have been described in Chapter VII. But in keeping with the intent of this chapter of the paper, the relationship of the recommendations to the legislative solution to the problems will be analyzed.

The financing of a minimum educational program was continued under the 1949 concept of the foundation program. However, the schedules no longer prescribed the amount of the foundation program but prescribed the "Maximum General Fund Budget without a Voted Levy" (foundation program plus the district permissive levy). The foundation program was established as 75 per cent of this schedule amount. This schedule provided an average increase of 4.5 per cent for the elementary schools and 19.6 per cent for the high schools (Table II, page 35).

The discontinuance of the deficiency of state financing was accomplished in two ways. First, the amount of financing of the state equalization payment was increased. The additional financing was provided largely

through the state General Fund appropriation which increased from \$8,577,137 in 1962-63 to \$10,000,000 in 1963-64 to \$12,000,000 in 1964-65. Neither the state income tax rate nor state corporation tax rate was increased but the taxable bases for these taxes started an upward trend that helped in financing the state equalization obligation.

The provision for state financing was an unprecedented increase for a biennium, but the greatest factor towards the reduction of property taxation to finance the state deficiency (district levy for state deficiency) was the increase of the financing by the county equalization payment. The county equalization mill levies were raised from 10 mills to 25 mills for elementary purposes and from 10 mills to 15 mills for high school purposes. This was a recommendation of the study committee. While this type of increase of the mill levies appeared to be a tremendous increase of property taxation, it did decrease the need for the district mill levy for the state deficiency and placed this taxation on a more equitable tax base, the county rather than the school district. A further reduction of school district taxation was accomplished by the deletion of the district five mill levy and the district levy for remaining local obligation. The deletion of the latter levy was especially satisfying to the originally recommended principles of financing the foundation program since it was a repeal of the 50 per cent limitation of state financing and allowed the theory of complete state equalization to become operative.

Perhaps another line of reasoning for the increase of the county mill

levies was the fact that since 1949 the foundation program had increased by over 100 per cent (Table XI, page 60) and the basic property taxation rates had not increased at all. Thus, if the state was to finance its total obligation, with the deletion of the 50 per cent limitation factor, it would be financing the originally intended obligation plus the major portion of the increase of the foundation program caused by the legislated schedule increases and the "war baby" enrollment explosion. The increase of the county mill levies was, therefore, justifiable in that it made the property tax base shoulder part of the increased financing load which had developed over the years.

Under either basis of reasoning, the result of the modification of the financing formula resulted in more equitable property taxation for the support of the foundation program by placing the property taxation burden on the county tax base. The increase of these basic support county mill levies from a total of 20 mills to 45 mills represented an increase of county taxation, but when the reduction of school district taxation was considered in conjunction with the county increase, it resulted in a property taxation reduction in some school districts. Those school districts realizing the property tax reduction were the districts with a lesser ability to finance their minimum educational programs. Therefore, the 1963 modification strengthened the method of financing the foundation program under the originally stated principles of equalizing the cost of financing an equal educational opportunity for every child in the state of Montana.

The first year of operation under this enactment by the 1963 Legislative Assembly is illustrated by Table XI, page 60. The 1963-64 foundation program increased by an unprecedented amount of \$7 million or 17 per cent. The balance of financing between the state and local sources shifted in that the local sources share of financing increased from 54.6 per cent to 59.7 per cent of the foundation program and the state financing decreased by a corresponding percentage. However, every dollar of the local financing was raised at the county level and disbursed on an equalization basis. Over one-third of the \$22,488,188 local financing in 1962-63 had been raised by school district property taxation. (15:52,80)

The second year of operation (1964-65) under the new legislation provided another dramatic change in the balance of financing between local and state sources. The state's proportion of financing the foundation program increased from 40.3 per cent to 49.0 per cent, the highest percentage of financing by the state since the 1952-53 oil boom (Table XI, page 60). This shift was due to various factors. First was the availability of over \$5 million for the interest and income payment, the first time it had exceeded \$5 million since the oil boom (Table V, page 46). Second was the addition of \$2 million to the available state equalization financing through the state General Fund appropriation and the growth of the state income tax and corporation license tax bases (Table VII, page 51). The third and last factor was that this was the first year since the oil boom years that the state completely financed its equalization obligation and there was no need for property taxation to finance a state deficiency (Table X, page 57).

An interesting by-product of the new method of legislating the foundation program schedule may have taken place. Under the law that established the district permissive levy as a percentage of the foundation program, the permissive levy had never exceeded 28.1 per cent of the foundation program (Table XII, page 68). As the table shows, the amount of the district permissive levy increased from 27.8 per cent of the foundation program in 1962-63 to 31.5 per cent in 1963-64 and 32.4 per cent in 1964-65, an annual dollar increase of approximately \$3.7 million. Why, after so many years of permissive levy use, would it increase so drastically? The answer could be the revised method of expressing the schedules statutorily. Under the 1963 legislation, the schedules included both the foundation program and the district permissive levy as one dollar amount with the foundation program being a percentage of the schedule. Since the school districts were accustomed to the requirement that they must budget the entire amount established by the schedule, they may have budgeted the full amount incorporated in the new schedule feeling that this was a requirement of law.

IX. THIRTY-NINTH LEGISLATIVE ASSEMBLY (1965)

The Thirty-Ninth Legislative Assembly convened with the foundation program method of financing working at its optimum level. The state was finally financing its total equalization obligation, property taxation had not drastically increased, and the foundation program schedules, while not financing the total minimum educational program, were as adequate as they had been in several years. Perhaps the satisfaction of having achieved the

three major legislative goals of financing the foundation program in the 1963-65 biennium created a sense of lethargy in regard to increasing the foundation program schedules. Whatever the reason was, and there were several contributing factors, the elementary and high school schedules were increased by 6 per cent (Table II, page 35).

While this Legislative Assembly may have been lethargic in increasing the foundation program schedules, it certainly did not take a back seat to any of its predecessors in providing financing of the state equalization payment. As Table VII, page 51, shows, the increase of the total amount available for the state equalization payment increased by \$3.3 million in 1965-66 and another \$300,000 in 1966-67. This was the greatest rate of increase since 1949.

As would be expected with the size of increase of the schedules and the amount of state financing that was made available, the state equalization percentage stayed at 100 per cent for the two years of the subsequent biennium. (Table X, page 57). The amount of state equalization money that was available actually exceeded the financing requirement and a statutory provision of the Thirty-Ninth Legislative Assembly came into play the second year of the biennium. This provision required that of any available state equalization funds at the end of a fiscal year be distributed the following year on a special basis. This subsequent distribution was to be an equal amount for each ANB in the state and to be used by the county to reduce the high school county equalization payment mill levy. The 1966-67 distribution under this basis amounted to \$1,816,490 (Table IX, page 54).

While the financing of the foundation program continued to maintain its equal balance of financing between the local and state sources (Table XI, page 60), the financing of the general fund did not remain balanced between the foundation program portion and the area above the foundation program. As Table XIV, page 76, demonstrates, the portion of the general fund financed by the foundation program hit an all-time low in 1966-67 of 66.5 per cent. In other words, the district permissive and voted levies increased nearly \$4 million or 17 per cent in 1966-67 over the previous year.

X. FORTIETH LEGISLATIVE ASSEMBLY (1967)

When the Fortieth Legislative Assembly convened, it was confronted with a state of overfinancing of the foundation program and underfinancing of the minimum educational program by the foundation program schedule provision. At the same time, the property taxpayer was letting his wishes to have his tax burden reduced be known. With these types of factors in play, it was not difficult for the 1967 legislature to support an increase in the foundation program schedules. In fact, it provided the largest over-all increase ever of the schedules by enacting a 15 per cent increase (Table II, page 35).

This legislature also provided state equalization financing to keep pace with the increase of the schedules. In spite of the increased effort in the financing of the state equalization payment, the state equalization percentage was only 89 per cent in 1967-68 and 92 per cent in 1968-69 (Table X, page 57). With the maintenance of the same rate of state financing, how

could the state equalization percentage take such a drastic reduction (100% to 89%)? In an apparent attempt to reduce the property taxation of the school district, this legislature increased the proportion of the legislated schedule that was earmarked as the foundation program from 75 per cent to 80 per cent and, thus, reduced the proportion representing the district permissive levy to 20 per cent. Since the total amount of the 5 per cent change of designation to the foundation program had to be entirely financed by state equalization funds, an automatic additional burden of \$4.3 million was created in 1967-68 and \$4.4 million in 1968-69. Without this additional burden, the state equalization percentage could have been 95 per cent in 1967-68 and 98 per cent in 1968-69. All that this "80%" amendment did was shift the property tax load from the school district to the county. But more important, this "80%" amendment did not provide any additional budgeting authority to the school district for its educational program; it only increased the state's obligation for financing which could not be satisfied and was recorded as a state deficiency.

In actual operation and regardless of what would appear to be a large state deficiency, the balance of revenue between local and state sources remained on the approximate 50/50 basis (Table XI, page 60). Thus, if the state financing level required by the "80%" amendment was fulfilled, the balance of the source of revenue would shift by approximately 5 per cent from the local to the state sources.

In the area of financing above the foundation program, neither the

15 per cent schedule increases nor the "80%" amendment replaced the expansion in this area; it only forced more of it into the district voted levy. Table XIV, page 76, shows that this area of financing was reduced by \$1.8 million in the first year (this was common the first year after a schedule increase) and increased by \$6 million in the second year (1968-69). Since the reduced district permissive levy was nearly all used in the first year (Table XII, page 68), the increase of the second year came largely (\$5.4 million) from the district voted levy (Table XIII, page 70).

XI. FORTY-FIRST LEGISLATIVE ASSEMBLY (1969)

The latest legislative assembly convened with the economy as inflationary or more so than it had ever been. Thus, the need for schedule increases was demanding. At the same time, the legislature faced a largely synthetic but, under the law, a real state of deficiency financing. Thus, this legislative assembly faced one of the greatest demands for increased schedules and, just as great, demands for reduced property taxation. In addition, the legislature had another pressing financing factor to take into consideration. Montana's second oil boom, Bell Creek, had come to an end as far as earnings from the leasing of state school lands was concerned. The highly increased amounts available in 1967-68 and 1968-69 (Table IV, page 39) would probably decrease by \$3 million to \$3.5 million for each year of the ensuing biennium. (20:)

The balancing of these demands and available financing took the form of a 12 per cent schedule increase for elementary schools and a 14

per cent schedule increase for high schools (Table II, page 35) with the largest appropriation ever from the State General Fund (Table VII, page 48) coupled with state income tax and corporation license tax rate increases. Actually, over-all, the schedule increases were the second highest ever enacted and the increase of the State General Fund appropriation the largest ever provided.

How the actual operation will develop is, as always, dependent upon how the several elements of the foundation program develop throughout the biennium. Even the best of prognosticators, which the writer is not, would not attempt to forecast the several elements into the 1969-71 biennium.

XII. SUMMARY OF LEGISLATIVE ACTION ON THE FOUNDATION PROGRAM

This chapter has repeatedly explained that each legislative assembly faced the same problems. An attempt must be made to satisfy the demands of a growing and economically inflationary educational program that is striving for the educational excellence of its students in a fast changing technological society. At the same time, legislation must attempt to satisfy the demands of the taxpayer to "hold the line" on the rate of taxation when the tax bases are not increasing at a rate comparable to the inflationary economy. This is especially true with the property tax base that has historically shouldered a large portion of the cost of education. The satisfaction of these two demands is, of course, improbable but it becomes impossible when the heretofore unmentioned fact that the legislature must

also finance the University System, the Custodial Institutions, highways, general state government administration, and several other state governmental functions, is taken into consideration.

Within the structure of demands and financing, the foundation program legislation and operation have assumed five positions or what could be called eras. The first era was 1950 and 1951, immediately after the Foundation Program Act, and could be called the "enactment" era. During this period of time, the newly enacted foundation program was tested and people waited to see how it would work. The second era was the "oil boom" era, 1952 and 1953. During this era, the Williston Oil Basin provided increases of the financing bases of the state interest and income payment and county equalization payments. These sources of revenue provided more-than-adequate financing of the foundation program. The third one was from 1954 to 1963 and could be called the "post-oil-boom" era. This era has been so named since it appears that the financing of the foundation program was provided on the basis of the revenue bases realized during the oil boom era. Such financing continued to the point where it nearly caused the collapse of the foundation program. The fourth era of the foundation program was from 1964 to 1967 when the financing was adequate and the schedule increases compensating. On this basis, it has been named the "flush" era. The last era began in 1968 with the highly inflationary economy, the "80%" amendment, and the increased concern of the property taxpayer. This era has not been named since its characteristics have not been fully realized.

While the foundation program has had its ups and downs, it has most assuredly enabled a better education of our children on an equalization of financial effort basis. In consideration of the several factors of financing education, this writer feels that there is no better method of financing Montana education and that the Foundation Program Act has proven to be the greatest single piece of educational legislation in Montana legislative history.

CHAPTER X

COMPARISON OF THE MONTANA FOUNDATION PROGRAM WITH NATIONALLY ESTABLISHED CHARACTERISTICS OF A FOUNDATION PROGRAM

The discussion of the foundation program's national background in Chapter II, pages 11 and 12, of this paper presented ten defensible characteristics of a foundation program by Morphet and coauthors. (18:511 & 512) These characteristics were presented earlier in this paper to provide the reader with a self-comparison basis while reading the paper. The purpose of this chapter is to provide the writer's comparison of the Montana foundation program with the defensible characteristics.

To facilitate the comparison, the applicable defensible characteristic is restated at the beginning of each section before the comparison is made.

I. DEFENSIBLE CHARACTERISTIC NUMBER 1

1. The plan of financial support for schools in each state should be designed to assure a foundation program providing essential, reasonably adequate, and well-rounded educational opportunities for all who should benefit from public education.

The intent of the foundation program is to financially facilitate the offering of an equal educational opportunity for all children of the state. (26:473) To this end, the foundation program has been established to provide a minimum educational program in each school. Whether a minimum educational program will provide a program of essential, reasonably adequate,

and well-rounded educational opportunities is debatable and beyond the scope of this paper. The essential fact in this comparison is that Montana's foundation program does guarantee the financing of a specific dollar amount for an educational program.

II. DEFENSIBLE CHARACTERISTIC NUMBER 2

2. The foundation program should be supported by an equitable combination of funds from local, state, and, insofar as applicable, federal sources; it should constitute a bona fide partnership plan.

The equitable combination of local and state financing of the foundation program is self-evident when Table XI, page 60, is reviewed. The division of financing by state and local sources has been approximately 50/50 in the most recent years. Thus, the partnership in financing the foundation program is equitable.

Federal sources of financing for the foundation program do not exist since all forms of federal financing are earmarked for special programs or school district property tax reduction.

III. DEFENSIBLE CHARACTERISTIC NUMBER 3

3. Each school district (or district and county) should be expected and required to make the same minimum local effort toward financing the foundation program.

A basic effort is required of the county through the 25 mill elementary and 15 mill high school equalization mill levies. The partnership of school district and county basic effort financing of the foundation program ceased in 1963 when the legislature discontinued the school district five mill levy and increased the county mill levies.

The important point of this characteristic is that a local effort be made before state financing is provided. This is accomplished in Montana's foundation program and, as a premium, the basic effort is disbursed on an equalization basis.

IV. DEFENSIBLE CHARACTERISTIC NUMBER 4

4. The state should provide for each district on an objective basis, the difference between the funds available from the required, uniform, minimum tax effort and the cost of the foundation program.

The explanation of financing of the foundation program in Chapters IV and V brings out the fact that Montana's foundation program requires the distribution of state equalization aid after the consideration of the local effort. The intent of the Foundation Program Act is that the state equalization payment complete the financing of the foundation program after the application of the local effort. Unfortunately, this has not always been true. However, the philosophy of the foundation program financing is exactly the same as the criteria of this characteristic.

V. DEFENSIBLE CHARACTERISTIC NUMBER 5

5. The plan for financing the foundation program should assure reasonable equity for all taxpayers.

Montana's foundation program incorporates a dual equalization system. The basic effort by the county is disbursed on an equalization basis (county equalization payment) and the state distribution of its tax proceeds is disbursed on an equalization basis (state equalization payment).

Thus, the financing of the foundation program is equitable to all taxpayers.

VI. DEFENSIBLE CHARACTERISTIC NUMBER 6

6. The educational and financial provisions for the foundation program should encourage sound and efficient organization, administration, and operation of local school districts and schools.

The provisions of the Montana foundation program are not conducive to sound and efficient organization, administration, and operation of schools. While the schools are guaranteed the financing of a minimum program, they are not guaranteed a sound and efficient program. This is especially true when the Maximum General Fund Budget Without a Vote is considered. The maximum budget prescribes the dollar amount that may be expended for the educational program. Ideally, the educational program should be planned and then the budget should be adopted to the planned program. However, when a specific amount of money is made available for a budget, the reversal of the planning and budgeting is very likely to occur. The educational program will be planned within the confines of the budget limitation. When this sort of planning and budgeting is used, it leads to the offering of an educational program that has a shotgun effect--it hits all areas of the program but has very little penetration.

VII. DEFENSIBLE CHARACTERISTIC NUMBER 7

7. The foundation program plan should provide maximum opportunity and encouragement for the development and exercise of local leadership and responsibility in education.

Montana has no difficulty meeting the criteria of this characteristic.

The development and exercise of local leadership and responsibility in education goes far beyond the scope of this paper.

The relationship of this characteristic to the foundation program is the fact that the lay person on the board of trustees must make school financial decisions in relation to the educational program. He must help to adopt a budget encompassing the foundation program, decide the need for and amount of the permissive and voted levies. The citizenry must elect the board members, pay the taxes, and vote on voted levy propositions.

VIII. DEFENSIBLE CHARACTERISTIC NUMBER 8

8. The citizens of each local school system should be authorized and encouraged to provide and finance such educational opportunities beyond the foundation program as they desire.

Chapter VI has described the financing of the area above the foundation program. The citizens, through their elected representatives, may use the permissive levy. Beyond the permissive levy, the citizens may provide additional financing for educational opportunities without limitation. In view of the application of the permissive and voted levies, this characteristic could not be more completely fulfilled in Montana.

IX. DEFENSIBLE CHARACTERISTIC NUMBER 9

9. The foundation program plan should be cooperatively developed by representative citizens who have a genuine interest in and concern about public education.

Chapter III about the pre-enactment of the foundation program and Chapter VII about the 1961 study of the foundation program are testimony

enough as to the development of the foundation program by representative citizens.

X. DEFENSIBLE CHARACTERISTIC NUMBER 10

10. The program and procedure should emphasize continuous evaluation and sound, long-range planning.

A program and procedure of continuous evaluation and long-range planning is not provided for the foundation program. Chapter IX explains the process of legislating changes in the foundation program. This explanation, by itself, indicates the lack of evaluation and planning.

The lack of continuous evaluation and sound long-range planning is also obvious when the purpose of this paper in Chapter I is taken into consideration. Very little, if any, evaluation and planning is being performed when the data necessary for such work have not been compiled. Hopefully, this paper will provide a data base for a continuous evaluation and long-range planning.

XI. SUMMARY OF COMPARISON

Montana's foundation program compares very favorable with the ten defensible characteristics of a foundation program expressed by Morphet and coauthors. (18:511 & 512) Those characteristics representing the mechanics of a foundation program, such as characteristic numbers 2,3,4, and 8, are especially comparable to the Montana foundation program. Others, such as 6 and 10, which represent the more recent philosophies of foundation program

financing, are features that should be included in the foundation program for a more equitable financing of the educational opportunity of the youth of Montana.

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