

 Office of Public Instruction
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Basics of School Funding

Madalyn Quinlan, Chief of Staff
February 2011

Budgeted/Non-Budgeted Funds

1. Budgeted Funds (11 Funds)

- District trustees adopt expenditure budget annually
- Revenue may include tax levies
- Examples:
 - General
 - Transportation
 - Retirement



Budgeted/Non-Budgeted Funds

2. Non-Budgeted Funds

- District can spend up to cash balance in fund
- No tax revenue
- Examples:
 - Food Service
 - Miscellaneous Programs
 - Extracurricular



General Fund

- Authorized by 20-9-308, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



Principles of Equalization

Basis for HB 667 (L.1993)

Equalization

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities

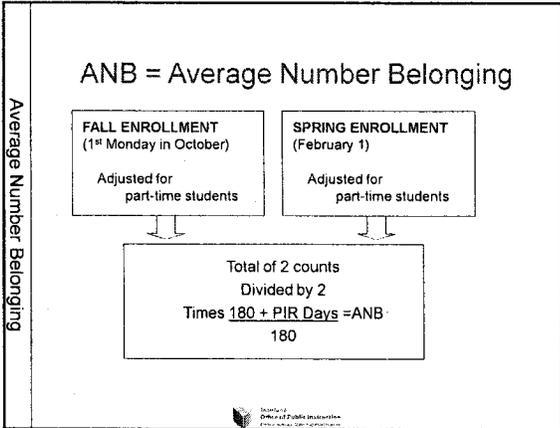


Average Number Belonging

Average Number Belonging

- ANB – Average Number Belonging is a student count for each school district used for school funding purposes. The ANB count for the current year is derived from school enrollment counts conducted in October and February of the previous school year.





Average Number Belonging

Changes to ANB Calculation 2005 Session

- **3 year average ANB (HB63)** - An average ANB over the most recent 3-year period, calculated by:
 - (a) adding the current year ANB for the ensuing fiscal year to the ANB for each of the previous 2 fiscal years; and
 - (b) dividing the sum by three.
- **Part-time Enrollment (SB359)** - Changed ANB basis from 1/2 time or full time and replaced it with 1/4, 1/2, 3/4 or full time basis. SB359 clarified the conditions under which an enrolled student will generate ANB funding.

Average Number Belonging

Changes to ANB Calculation 2007 Session

- **Full Time Kindergarten (SB2)** - ANB Funding for students enrolled in a Full-Time Kindergarten (FTK) program.

Average Number Belonging

FY 2004

ANB = Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Less 1/2 Kindergarten
Adjusted for 1/2-time students

SPRING ENROLLMENT
(February 1)

Less 1/2 Kindergarten
Adjusted for 1/2-time students

Total of 2 counts
Divided by 2

Times 180 + PIR Days = ANB

180

FY 2011

ANB = Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Adjusted for 1/4, 1/2, 3/4 time
students

SPRING ENROLLMENT
(February 1)

Adjusted for 1/4, 1/2, 3/4 time
students

Total of 2 counts
Divided by 2

Times 180 + PIR Days = ANB

180

3yr Average

General Fund Budget Elements

General Fund Budget Elements

- Basic Entitlement
- Per-Student Entitlement
- State Special Education Payment
- Local Special Education Match Amount
- Quality Educator Payment
- At-Risk Student Payment
- Indian Education for All Payment
- American Indian Achievement Gap Payment

General Fund Budget Elements

Entitlements (FY04)		Entitlements (FY11)	
Basic Entitlement		Basic Entitlement	
Elementary	\$ 19,456	Elementary	\$ 23,257
High School	\$ 216,171	Middle School	\$ 65,863
		High School	\$ 258,487
Per ANB Entitlement		Per ANB Entitlement	
Elementary	\$3,949 - \$0.20/ANB to 1,000 ANB	Elementary	\$5,003 - \$0.20/ANB to 1,000 ANB
High School	\$5,262 - \$0.50/ANB to 800 ANB	High School	\$6,405 - \$0.50/ANB to 800 ANB
Special Education Block Grant		Special Education Block Grant	
Instructional	\$122.67/ANB	Instructional	\$150.60/ANB
Related-Services	\$ 40.89/ANB	Related-Services	\$ 50.20/ANB

Middle School Basic Entitlement

- Was introduced in conjunction with full time kindergarten. Its purpose was to prevent a loss in school funding caused by an increase in the K-6 share of the basic entitlement calculation.
- Middle school basic entitlement is \$65,863 in FY11.



Special Education

• Funding Allocations

- 52.5% Instructional Block Grants
 - 17.5% Related Services Block Grants
 - 25% Disproportionate Cost Reimbursement
 - 5% Coop Travel and Administrative Costs
- Money is distributed on a per ANB basis not based on the number of students with disabilities.



SPED Entitlements (FY04)

Special Education Block Grant	
Instructional	\$122.67/ANB
Related-Services	\$ 40.89/ANB
State Special Education Appropriation	
\$ 30,939,589	

SPED Entitlements (FY11)

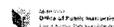
Special Education Block Grant	
Instructional	\$150.60/ANB
Related-Services	\$ 50.20/ANB
State Special Education Appropriation	
\$ 41,646,000	



Changes to General Fund Components 2005 Special Session

- Quality Educator Payment
FY07 \$2,000 per educator FY11 \$3,042
- American Indian Achievement Gap Payment
FY07 \$200 per American Indian Student
- Indian Education for All Payment
FY07 \$20.40 per ANB min \$100 district
- At Risk Payment
FY07 \$5 million based on Title I Allocations
FY11 appropriation \$1

(SB1) 2005 Special Session



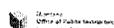
Quality Educator

Quality Educator is defined as a person who holds a valid certificate and is employed by a school District or Coop in a position that requires an educator license or other professional license to provide services to students.



Quality Educator Payment

Each district and special education cooperative receives a \$3,042 payment in FY11 for each full-time equivalent (FTE) licensed educator and other licensed professional employed by the school district, including registered nurses, licensed practical nurses, physical therapists, speech language professionals, counselors, occupational therapists, nutritionist, social workers, and psychologists.



General Fund Budget Elements

Changes to General Fund Components 2007 Session

- Quality Educator Payment
 - FY08 \$3,036 per educator
 - FY09 \$3,042 per educator
 - FY11 \$3,042 per educator
- At Risk Component
 - FY08/FY09 \$5 million per year
 - Distribution based on federal Title I Allocations
 - FY11 appropriation \$1

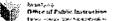


General Fund Budget Limits

Maximum Budget (FY11)

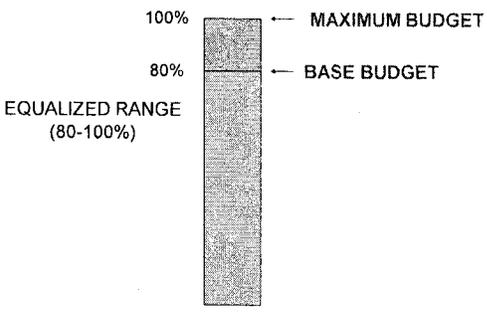
- Basic Entitlement
- + Per-ANB Entitlement
- + 200% Special Ed Per Student
- + Quality Educator Payment
- + At-Risk Student Payment
- + Indian Education for All Payment
- + American Indian Achvmnt Gap Payment

MAXIMUM BUDGET (100%)



General Fund Budget Limits

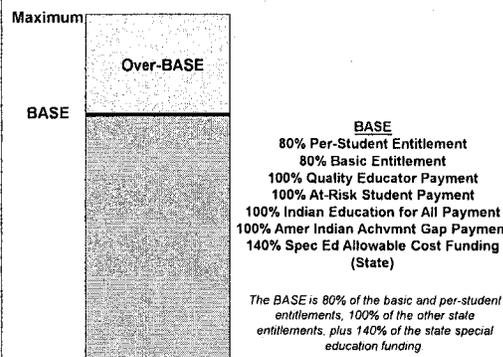
General Fund Budget Limits



100% ← MAXIMUM BUDGET
80% ← BASE BUDGET
EQUALIZED RANGE (80-100%)



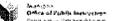
General Fund Budget Limits



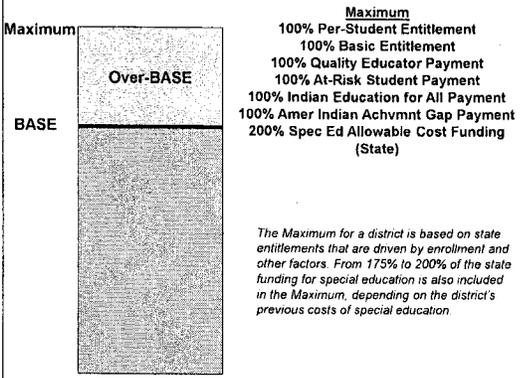
Maximum
Over-BASE
BASE

BASE
80% Per-Student Entitlement
80% Basic Entitlement
100% Quality Educator Payment
100% At-Risk Student Payment
100% Indian Education for All Payment
100% Amer Indian Achvmnt Gap Payment
140% Spec Ed Allowable Cost Funding (State)

The BASE is 80% of the basic and per-student entitlements, 100% of the other state entitlements, plus 140% of the state special education funding



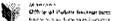
General Fund Budget Limits



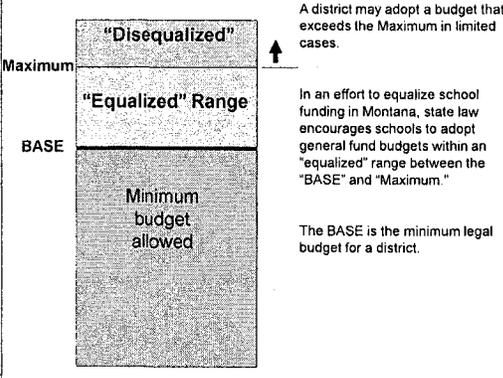
Maximum
Over-BASE
BASE

Maximum
100% Per-Student Entitlement
100% Basic Entitlement
100% Quality Educator Payment
100% At-Risk Student Payment
100% Indian Education for All Payment
100% Amer Indian Achvmnt Gap Payment
200% Spec Ed Allowable Cost Funding (State)

The Maximum for a district is based on state entitlements that are driven by enrollment and other factors. From 175% to 200% of the state funding for special education is also included in the Maximum, depending on the district's previous costs of special education.



General Fund Budget Limits

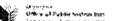


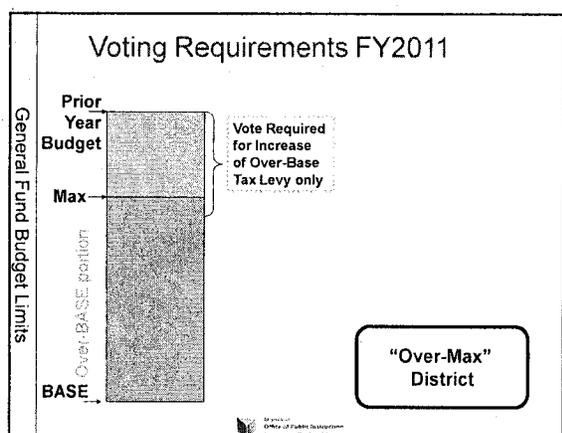
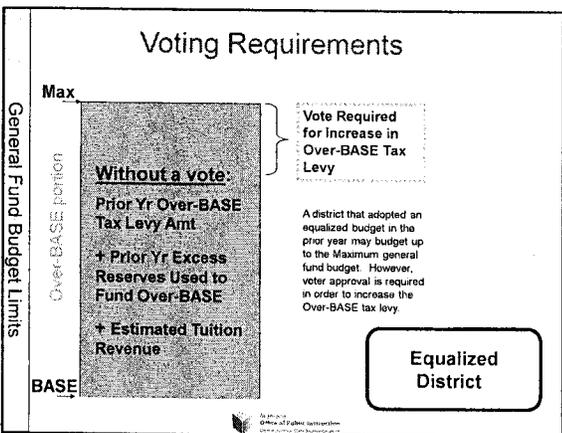
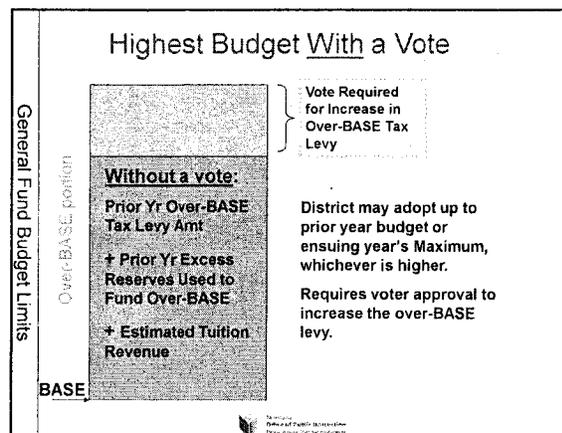
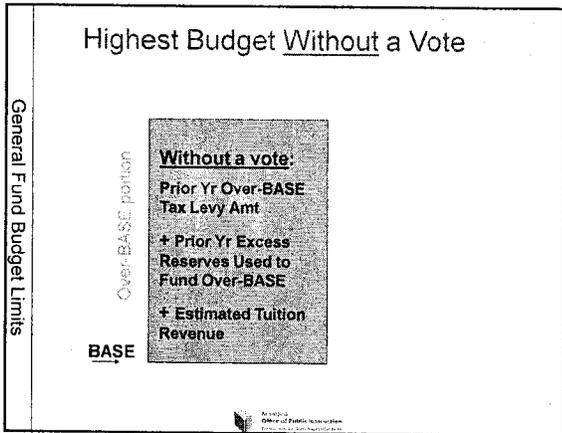
Maximum
Disequalized
Equalized Range
Minimum budget allowed
BASE

A district may adopt a budget that exceeds the Maximum in limited cases.

In an effort to equalize school funding in Montana, state law encourages schools to adopt general fund budgets within an "equalized" range between the "BASE" and "Maximum."

The BASE is the minimum legal budget for a district.



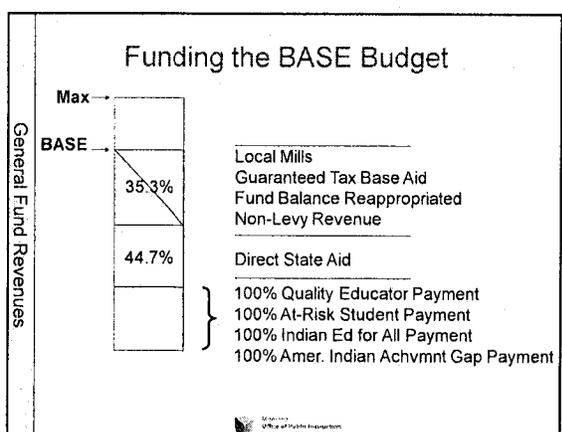


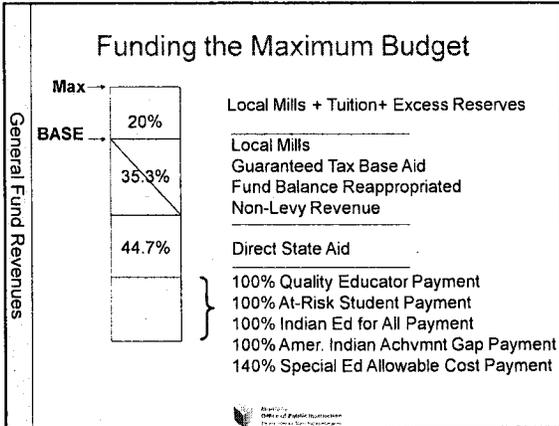
Changes to Budget Limits 2007 Session

General Fund Budget Limits

- Beginning FY08, a school district may adopt a general fund budget up to the maximum general fund budget or the previous year's general fund budget, whichever is greater.
- If the state provides increases in the new general fund payments, the district may increase its budget to spend the money without going to the voters for approval. (HB363) 2007 Session

Office of Public Information
 www.k12va.gov





- ### How Guaranteed Tax Base Works
- General Fund Revenues**
- State Taxable Value
\$ 2,196,934,101 (2009 tax year)
 - State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$21.28 (FY11) of taxable valuation at the elementary level and \$35.23 (FY11) at the high school level to fund that budget.
 - The GTB level is recalculated each year.
- State of Michigan
Office of Public Instruction
Division of State Budget Services

- ### Changes to General Fund GTB
- General Fund Revenues**
- Statewide General Fund GTB Ratio** changed from 175% to 193% effective in FY08. 319 districts received general fund GTB in FY11.
- (HB2) 2007 Session
- State of Michigan
Office of Public Instruction
Division of State Budget Services

Example: Havre Elementary

General Fund Revenues

FY 11 Statewide GTB Ratio	
Elementary districts:	\$ 21.28
Havre Elementary	
GTB Budget area:	\$ 2,377,220
Taxable Valuation: \$ 16,573,263	
Guaranteed Tax Base:	\$ 52,876,178
FY11 GTB subsidy/mill:	\$ 36,303

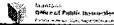
State of Michigan
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- ### Non-Levy Revenue
- General Fund Revenues**
- Schools must budget non-levy revenue
 - Must include non-levy revenue BEFORE levying property taxes
 - Examples of non-levy revenue include:
 - Investment earnings
 - State Reimbursements (for tax law changes)
 - Oil, gas and coal payments
 - State Paid Tuition
 - Block Grants
- State of Michigan
Office of Public Instruction
Division of State Budget Services

- ### State Paid Tuition
- General Fund Revenues**
- The state pays tuition for a student placed outside the district of residence by a state agency or court, including a tribal court.
 - FY11 obligation \$671,139
- State of Michigan
Office of Public Instruction
Division of State Budget Services

Fund Balance Reappropriated

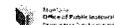
- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year before property taxes may be levied



Special Revenue Funds

Purpose: Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



Special Revenue Funds

Transportation Fund: For financing the maintenance and operation of district's school buses, private carrier contracts, and any amount necessary for the purchase, rental, or insurance of school buses or operation of the transportation program.



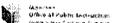
Pupil Transportation

- County transportation committee approves bus routes
- Each district calculates its transportation cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy for 50% of on-schedule costs
- State pays remaining 50% of on-schedule costs
- District levies excess on district taxpayers
- Levy is made permissively (no vote)



Retirement

- Funds school district cost of employee taxes, unemployment, and retirement
- Funded by permissive (no vote) countywide levy
- Each district calculates cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy
- State guaranteed tax base supports mills



County Retirement Guaranteed Tax Base Aid

- County property tax levy is matched by state GTB aid
- Supported by guaranteed tax base
 - State mill value per ANB guarantee
 - Rich counties get nothing
 - Each EL mill raises \$26.27/ANB (FY11)
 - Each HS mill raises \$55.76/ANB (FY11)
- FY11 Co Retirement GTB: \$30,058,711



Special Revenue Funds

Other Special Revenue Funds

Budgeted:

- Bus Depreciation: Financing replacement buses
- Tuition: Costs of students who attend school outside their district
- Technology Fund: Purchase and maintain tech equipment and provide tech training
- Others

Missouri
Office of Public Acquisition
Division of Public Safety

Special Revenue Funds

Other Special Revenue Funds

Non-Budgeted:

- Food Service: School food service operations
- Miscellaneous Programs: Local, state, and federal grants and reimbursements
- Others

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Division of Public Safety

Debt Service

Debt Service Funds

Debt Service Fund:

- Principal, interest on bonds and Special Improvement Districts (SIDs)
- Bond proceeds
- Budgeted fund with voted levy

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Division of Public Safety

Debt Service

School Facilities Payments

- Available to districts that have sold general obligation bonds
- Debt service mills are matched by state aid in low-wealth districts
- State support is capped
- EL mill value/ANB \$30.39 (FY11)
- HS mill value/ANB \$64.52 (FY11)
- \$7.42 million is appropriated (FY11)

Missouri
Office of Public Acquisition
Division of Public Safety

Capital Projects

Capital Projects Funds

Building Fund:

- Bond proceeds
- Insurance proceeds, federal funds, and property sold by district for building and construction projects
- Non-budgeted fund

Building Reserve Fund:

- Voter-approved building or construction projects
- Budgeted Fund

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Division of Public Safety

Other Legislation Related to School Funding

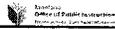


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Quality Educator Loan Assistance Program

- Quality Educator Loan Assistance Program assists educators in the repayment of educational loans in an amount up to \$3,000 annually for four years.

(SB2) 2007 Session



Gifted and Talented

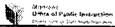
- State provides grants to school districts to support education programs for gifted students.
- \$247,000 appropriated each year of the 2011 biennium.



School Facility Inventory

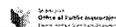
- Allocation of \$2.5 million to conduct a School Facility Inventory to assess the condition of Montana schools in the areas of: deferred maintenance, improved energy efficiency, and critical infrastructure.

(SB1) 2005 Special Session



School Facility Inventory

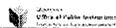
- 2007 Legislature created a school facility improvement account in the state special revenue fund to provide a funding source for schools to implement the recommendations of the school facility study. Legislation transferred \$40.8 million over the biennium into the account to be used as determined by the 2009 Legislature following completion of the school facility study.
- (SB2) 2007 Session



Quality School Facility Grants

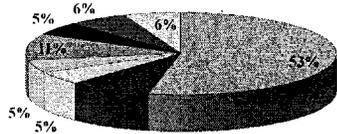
- 2009 Legislature created the Quality Schools Facility Grant Program to distribute grants to public school districts to assist schools in addressing major deferred maintenance, energy efficiency, critical infrastructure needs, emergency facility needs, and technological improvements.
- HB 15 (L. 2011) proposes 30 grants totaling \$11.07 million

References



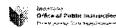
EXPENDITURE "FUNCTION"

Expenditure Categories FY2010

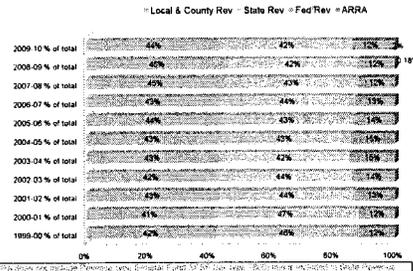


- Instruction
- Student Services
- General Admin
- Bldg Admin
- ▨ Bldg OM
- Pupil Trans
- Other
- Bonds/ Facilities

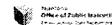
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http://www.cpi.mt.gov/pub/index.php?dir=School_Finance/OPICoreDataFiles/PerPupil/



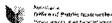
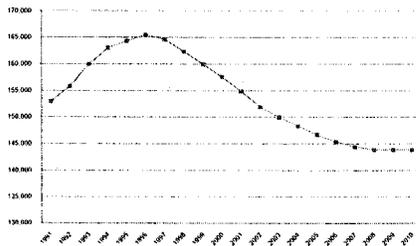
Local taxpayers are picking up an increasing share of school funding



This chart shows revenues for **all** school funds

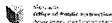


Statewide Enrollment 1991-2010



Budgeted Fund Statewide Totals

Fund	FY11 Adopted Budgets
General	\$ 966,943,063
Transportation	\$ 84,282,594
Bus Depreciation	\$ 44,174,749
Tuition	\$ 5,069,705
Retirement	\$ 132,057,003
Adult Education	\$ 15,673,035
Non-Operating (2 districts)	\$ 58,978
Technology	\$ 27,634,116
Flexibility	\$ 41,008,813
Debt Service	\$ 47,784,289
Building Reserve	\$ 66,332,819
Grand Total	\$1,431,019,165



Non-Levy Revenue – Block Grants

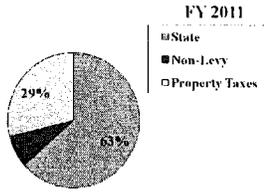
Block Grant Type	FY11 Amount
General Fund School Block Grant	\$ 45,030,355
Transportation Fund School Block Grant	\$ 1,856,355
Combined Fund SBG (Discretionary Placement):	
General Fund:	\$ 198,542
Transportation Fund:	\$ 58,408
Bus Depreciation Fund:	\$ 34,321
Tuition Fund:	\$ 6,762
Adult Ed Fund:	\$ 66,593
Non-Operating Fund:	\$ 377
Technology Fund:	\$ 735,114
Flexibility Fund:	\$ 1,488,295
Debt Service Fund:	\$ 170,048
Building Reserve Fund:	\$ 664,743
Total Combined Fund School Block Grant	\$ 3,423,203
Grand Total	\$ 50,309,913



General Fund Budgets Number of Districts

Percent Group	2004	2005	2006	2007	2008	2009	2010	2011
Below Base	0	0	0	0	0	0	0	0
At Base	62	59	56	54	53	54	53	51
< 90%	57	46	54	48	45	44	44	45
90 to 97%	64	68	81	78	83	77	82	80
97 to Max	122	147	164	147	135	142	119	127
Over Max	133	116	75	98	105	103	119	114
Grand Total	438	436	430	425	421	420	417	417

School General Fund Revenues



Office of Public Information
Statewide Information Services