

School Funding and Property Taxes— Basics and Background

1. Looking at a property tax bill
2. Montana Constitution
3. Equality vs. Equity
4. School funding litigation
5. State K-12 spending and State General Fund Revenue sources
6. K-12 property tax trends by fund
7. School district funds as buckets
8. School district general fund basics
9. Guaranteed tax base (GTB) aid basics
10. Maps and sources of variation in mill levies

This overview of school funding and property taxes is a compilation of slides from various trainings developed by Pad McCracken, LSD, and Julia Pattin, LFD. It is intended to give a BIG PICTURE overview of the topic and uses ROUND NUMBERS and data from VARIOUS RECENT YEARS. Content may not be suitable for accountant-types. And yes, many of these slides are cluttered and busy; they are more for reference/contemplation/discussion than for a slick TED-like presentation.

Do you know what a mill is?

A mill is 1/1000 of a dollar of taxable value.

Do you know the mill value of property you own?

Mine is \$2.82. I pay \$2.82 on every mill levied in my taxing jurisdiction.

So, the 95 mills cost me about \$270. The 6 mills about \$17.

YEAR 2019 REAL ESTATE STATEMENT OF TAXES PAYABLE

PROPERTY ID NO: 2744 PROPERTY		
LOCATION:		
LEGAL DESCRIPTION: HOBACK AND CANNON ADDN, S30, T10 N, R03 W, BLOCK 607, LT E13 1/2 OF N 40 & S 100' OF 10		
SEC-TWN-RGE: 30-10 N-03 W		
		dollars
	MARKET VALUE	TAXABLE VALUE
LAND	76,369	1,031
BUILDINGS	132,231	1,785
PERSONAL	0	0
TOTAL VALUE	208,600	2,816
		X .0135 = 2,816
COUNTY MILL VALUE		145,256

$$\text{Mill value} = 2,816 / 1,000 = \$2.82$$

[LFD resource on property tax basics](#)

General Tax Detail

Helena	429.95	County High Retirement	56.54	State University	16.90
Helena Fire Safety Levy	26.08	County Transportation	10.30	Vo-Tech	4.22
Helena GO 2008	20.10	* (SCHL SUBTOTAL)	153.26	* (STAT SUBTOTAL)	133.78
* (HLNA SUBTOTAL)	476.13	County Elementary	92.94		
All Purpose	106.86	County High School	61.96		
City-County Health	21.96	* (SCHM SUBTOTAL)	154.90		
County Extension	3.86	Elem Adult Education	9.52		
Detention Center Debt	12.48	Elem Bond	117.34		
Detention Services	28.16	Elem Building Reserve	31.96		
District Court	9.83	Elem Bus Rsv-Permissive	8.34		
Diversion Services	15.52	Elem General	296.04		
Entitlement Levy	50.50	Elem Technology	13.32		
Fairgrounds	9.32	Elem Transportation	99.26		
Library	61.58	Elem Tuition	31.76		
Mental Health	2.00	High Adult Education	8.34		
Parks	0.28	High Bond	4.28		
Permissive Medical Levy	30.42	High Building Reserve	17.52		
Public Safety	168.85	High Bus Rsv-Permissive	3.66		
Search & Rescue Const. Debt	2.06	High General	161.19		
Search & Rescue Operation	2.79	High Technology	13.06		
Senior Citizens	3.10	High Transportation	30.04		
Sheriff Retirement System Levy	2.84	High Tuition	11.82		
* (LCCY SUBTOTAL)	532.41	* (SD SUBTOTAL)	857.45		
County Elementary Retirement	86.42	State Equalization	112.64		

City

dollars

County

Countywide Schools
(for RET and TRANSP)

Countywide Schools
(for equalization; 33 + 22 mills)

dollars

School District

Statewide School Equalization (40 mills)

Statewide University (6 mills)
5-County Vo-tech (1.5 mills)

State

dollars

This area of my tax bill shows the dollars I pay for the levies in the various taxing jurisdiction in which my property is located.

Special Assessments

Description	Code	First Half	Second Half	Description	Code	First Half	Second Half
STREET MAINT #1	0001	103.08	103.08				
SOLID WASTE	0003	88.05	88.05				
STORM WATER UTL	0008	19.89	19.89				
LANDFILL MONITORING	0016	3.62	3.61				
URBAN FOREST MGMT	0061	19.50	19.50				
OPEN SPACE MAINT	0070	10.00	10.00				
LIGHT DISTRICT #362	0362	35.74	35.73				
FORESTVALE CEM	2121	4.54	4.53				
OPEN-SPACELANDS	2518	6.76	6.76				
WATER QUALITY INSIDE CITY	8000	4.40	4.40				

dollars

These are special assessments made on my property.

<p>This property may qualify for a Property Tax Assistance Program. This may include: Property Tax Assistance, Disabled or Deceased Veteran's Residential Exemption, the and/or Elderly Homeowner's Tax Credit. Contact the Local Department of Revenue at (406) 444-4000 for further information.</p>	General Taxes	District	Mill Levy	First Half	Second Half
	HLNA		169.08	238.07	238.06
	LCCY		189.06	266.20	266.21
	SCHL		54.43	76.63	76.63
	SCHM		55.00	77.45	77.45
	SD	01	304.50	428.73	428.72
	STAT		47.50	66.88	66.88
Total Mill Levy			819.57	mills x \$2.82 = \$2,308	
Total Special Assessments				295.58	295.55
Total Taxes Due Current Year			2,899.04	1,449.54	1,449.50

dollars

Article X – Education and Public Lands

Section 1. Educational goals and duties.

(1) **It is the goal of the people to establish a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person of the state.**

(2) The state recognizes the distinct and unique cultural heritage of the American Indians and is committed in its educational goals to the preservation of their cultural integrity.

(3) The legislature shall provide a basic system of free quality public elementary and secondary schools. The legislature may provide such other educational institutions, public libraries, and educational programs as it deems desirable. **It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system.**

So... Provide fairly to every school district both the state money and the ability to acquire local money (through property taxes) such that district trustees can operate schools that maximize the potential of every kid.



Constitutional Conventional delegates in House chambers, 1 December 1971, unidentified photographer. Montana Historical Society Photo Archives, Helena. ID No. PAC 86.15-71218.2

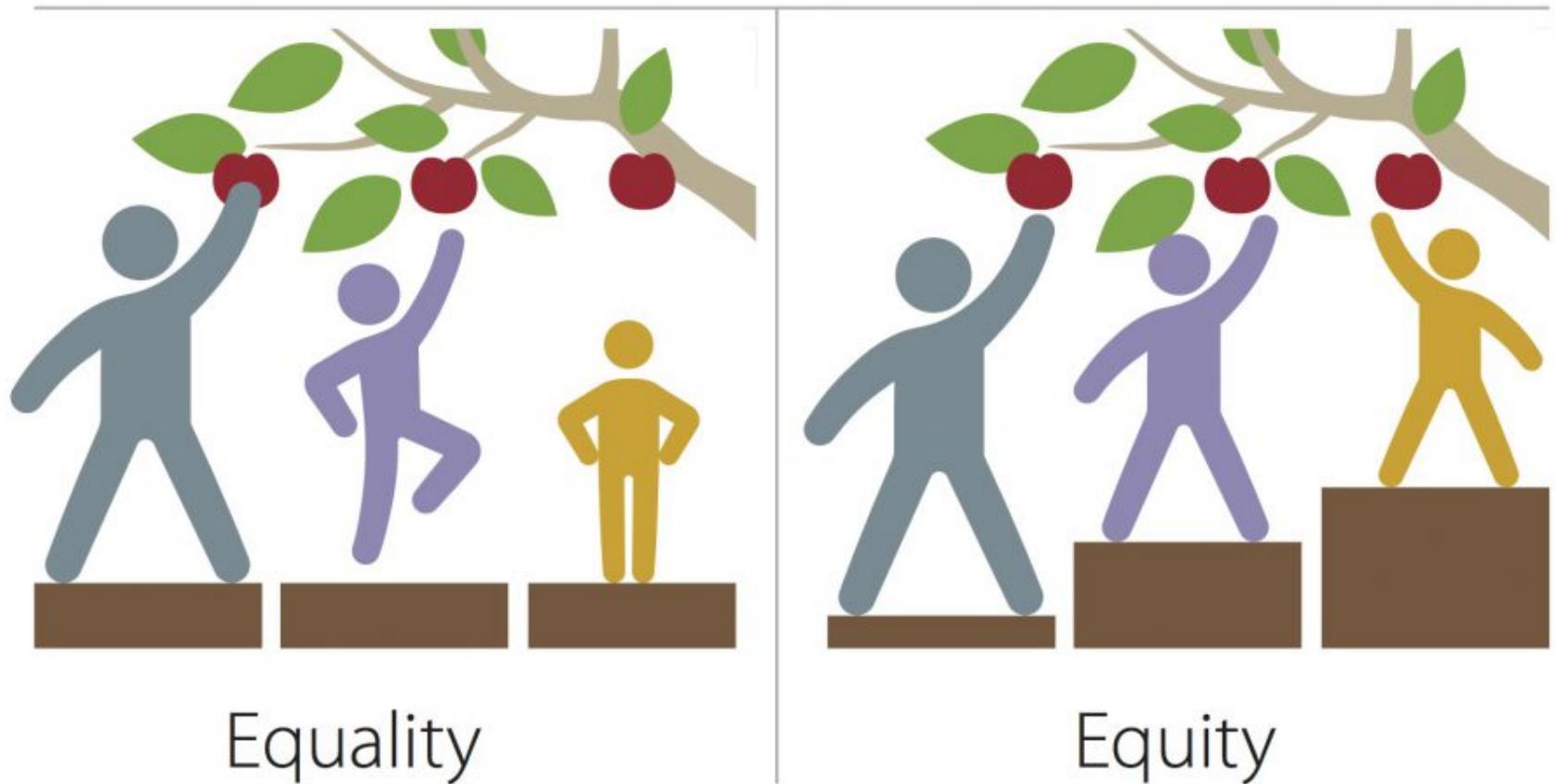
Article VIII – Revenue and Finance

Section 3. Property tax administration. The state shall appraise, assess, and **equalize** the valuation of all property which is to be taxed in the manner provided by law.

Section 4. **Equal** valuation. All taxing jurisdictions shall use the assessed valuation of property established by the state.

Equity is about fairness. In the picture below right, resources are allocated equitably in varying amounts in order to provide equality of opportunity. Similarly, in Montana's school funding formula, resources are allocated based on need in varying amounts to reflect two realities:

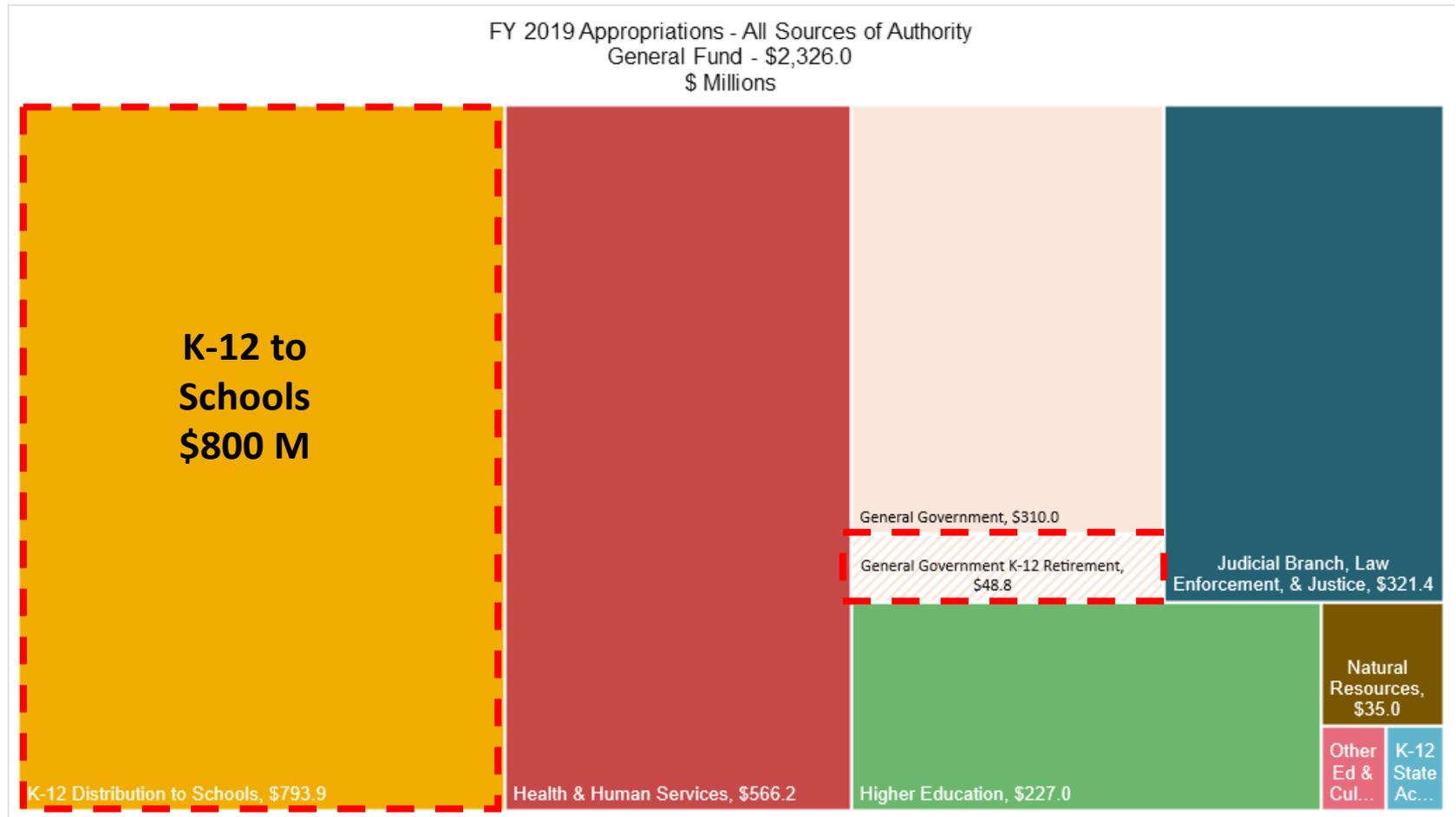
1. Kids (and schools/districts) require varying amounts of resources to develop their educational potentials; and
2. Districts have varying capacities to generate local revenue.



Court Cases and Changes to Montana K-12 Finance

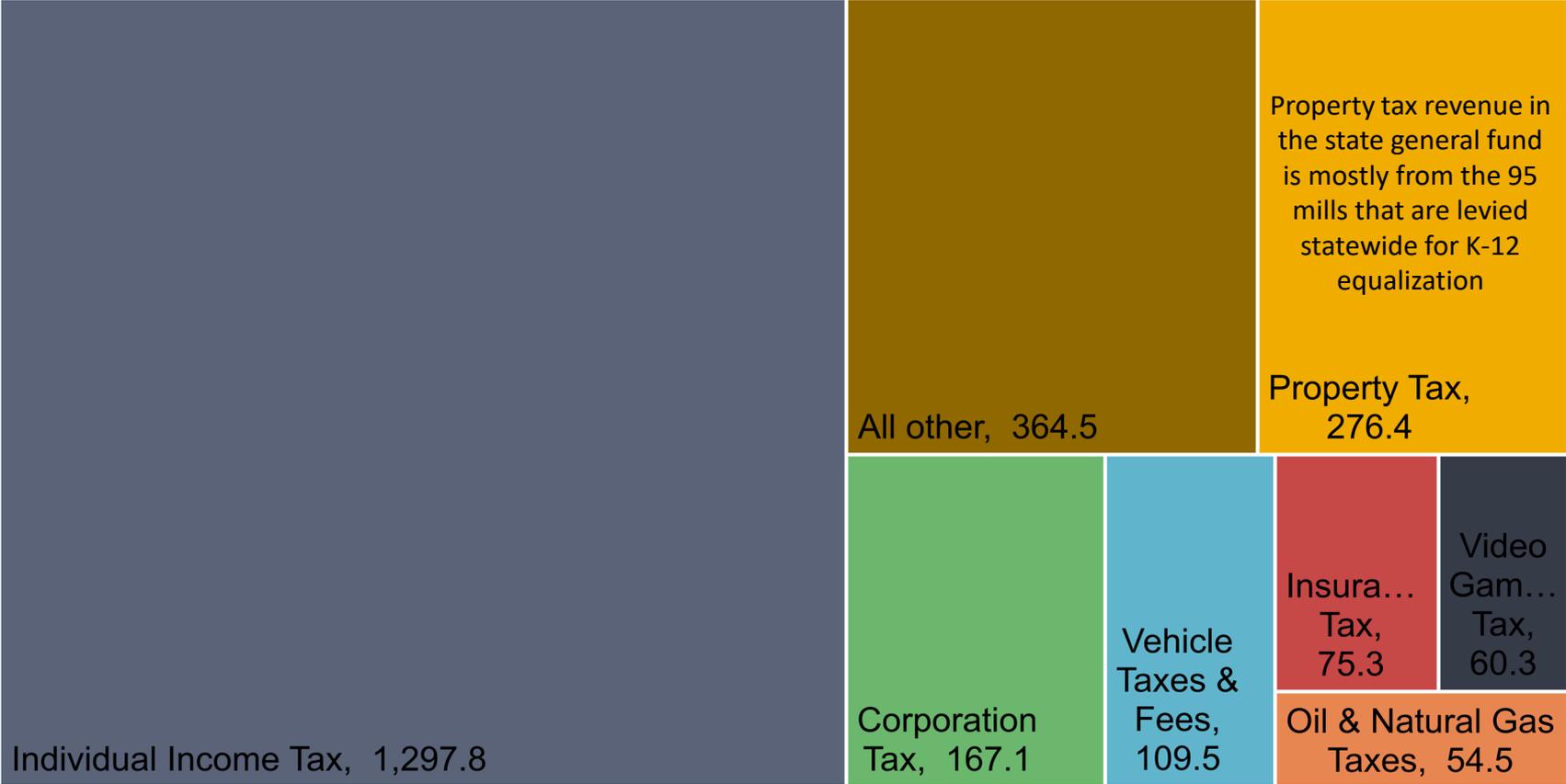
Year	Court Case	Finding	Legislation	Change to Formula
1989	Helena Elementary v. State (Equity)	Unequal spending per pupil means unequal educational opportunity; property poor districts were spending less (and often levying more mills)	HB 28 (1989 special session)	<ul style="list-style-type: none"> Increased state share Created GTB payments Created statewide equalization property tax levy of 40 mills; increased existing county equalization mills to 55 mills (new total = <u>95 mills</u>)
1992	Lawsuits filed contending HB 28 had not fixed disparities		HB 667 (1993)	<ul style="list-style-type: none"> Eliminated existing Foundation Program Created new formula with BASE (minimum) and maximum budgets, basic and per-ANB entitlements GTB for debt service
2004	Columbia Falls v. State I (Adequacy)	Funding inadequate; basic system of quality school not defined; must fund Art X, Section 1(2) of the Montana Constitution (preservation of tribes' cultural integrity)	SB 424 (2003) SB 152 (2005) SB 525 (2005) SB 1 (2005 special session following QSIC)	<ul style="list-style-type: none"> (Annual inflationary adjustments to BE and per-ANB were added in 2003 during litigation) Defined basic system Created Quality Schools Interim Committee (QSIC) Created 4 new fully state-funded payments: QE; at-risk, IEFA, American Indian Achievement Gap
2008	Columbia Falls v. State II	Legislature has made good faith effort to address concerns regarding adequacy	Various	<ul style="list-style-type: none"> Increased GTB ratio; provided funding for facilities

K-12 is the Largest Part of State General Fund Spending (\$800 million/year)



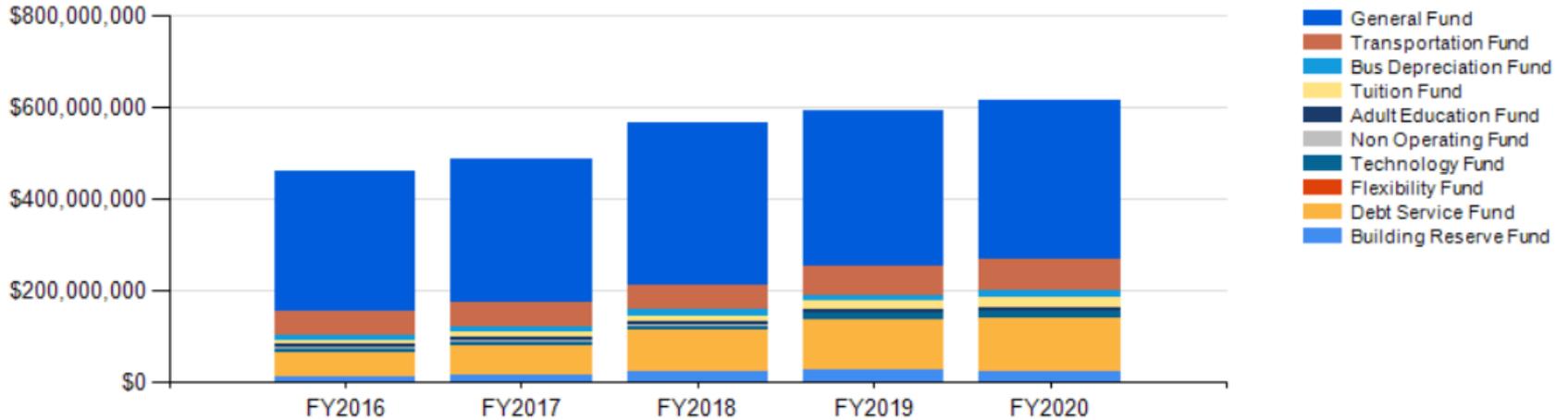
State general fund money comes from multiple sources, the largest being individual income tax. Revenue from the 95 mills (\$300 M) does not provide enough money to cover K-12 appropriations (\$800 M).

State General Fund Revenues FYE 2018 = \$2,405.4 million



Property taxes to support K-12 total about \$1 Billion

Property Taxes



Fiscal Year	General Fund	Transportation Fund	Bus Depreciation Fund	Tuition Fund	Adult Education Fund	Non-Operating Fund	Technology Fund	Flexibility Fund	Debt Service Fund	Building Reserve Fund
FY2020	\$348,057,857	\$67,802,819	\$15,436,320	\$23,327,158	\$6,719,110	\$0	\$14,586,683	\$0	\$118,409,828	\$22,409,945
FY2019	\$340,845,925	\$63,199,213	\$13,923,020	\$18,620,176	\$6,212,494	\$0	\$13,793,664	\$0	\$110,171,595	\$26,920,076
FY2018	\$355,589,794	\$55,671,878	\$12,744,372	\$14,495,833	\$5,411,066	\$12,640	\$12,757,034	\$0	\$89,224,873	\$22,839,038
FY2017	\$313,441,310	\$51,320,368	\$12,918,805	\$11,603,239	\$5,209,625	\$4,077	\$12,641,688	\$0	\$65,473,357	\$13,584,022
FY2016	\$308,270,868	\$51,077,649	\$12,223,472	\$8,577,312	\$5,025,269	\$36,060	\$12,126,623	\$0	\$51,768,970	\$12,072,009

Data as of: 10/28/2019

Note that this table does not include:

- Statewide 95 mills for K-12 (\$275 M)
- Countywide transpo (\$10 M) or RET levies (\$100 M)

<https://gems.opi.mt.gov/SchoolFinance/Pages/SchoolBudgetDashboard.aspx>

Budgeted District Funds (budgeted = levy-funded) in Perspective

(levies can be REQUIRED, PERMISSIVE, or VOTED; dollar amounts are statewide adopted budgets in millions from OPIBUD18; **dollar amounts in red** are state support amounts reported in GEMS for 2018 in budgeted funds with a mechanism for state support; mill ranges for FY 20)

Transpo \$97 (\$14)
Mills range 0-20 county;
0-100 district



District General Fund \$1,113 (\$740)
Mills range 0-65 BASE; 0-180 OverBASE



Debt Service \$98 (\$0)
Mills range 0-185



Building Reserve \$81 (\$0)
Mills range 0-65



Flexibility \$51 (\$0)
No mills levied



Retirement \$171 (\$40)
Mills range 0-60 county



Technology \$34 (\$0)
Mills range 0-20



Bus Depreciation \$56
Mills range 0-90*

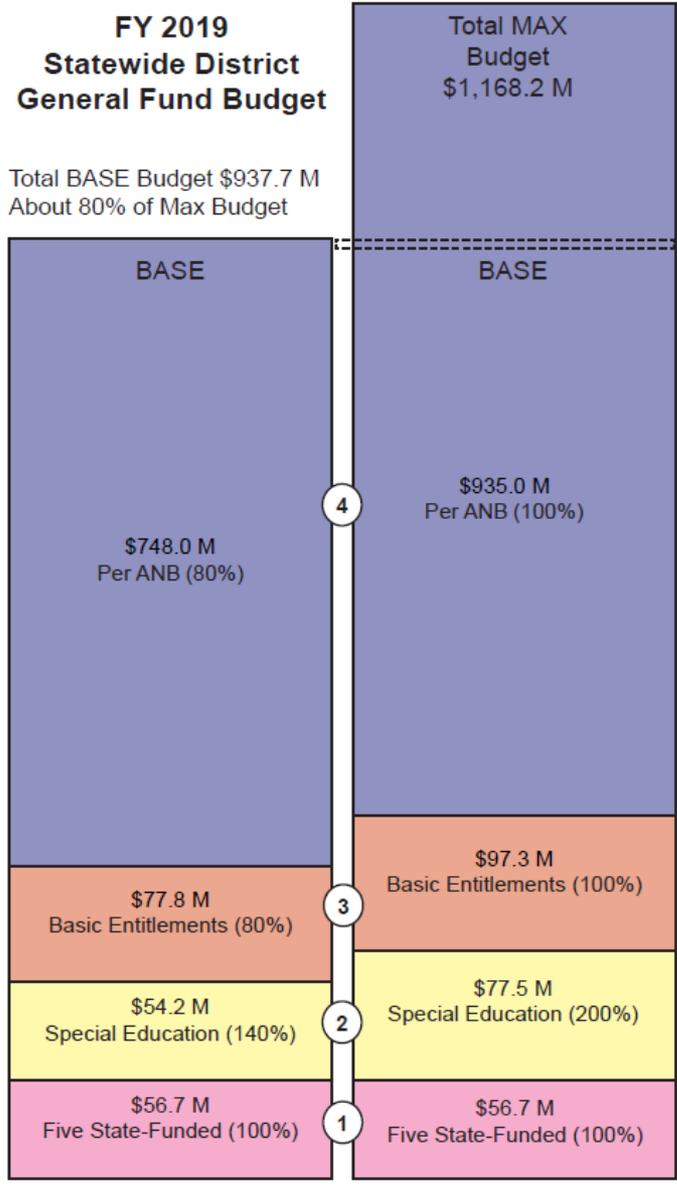


Tuition \$18
Mills range 0-40



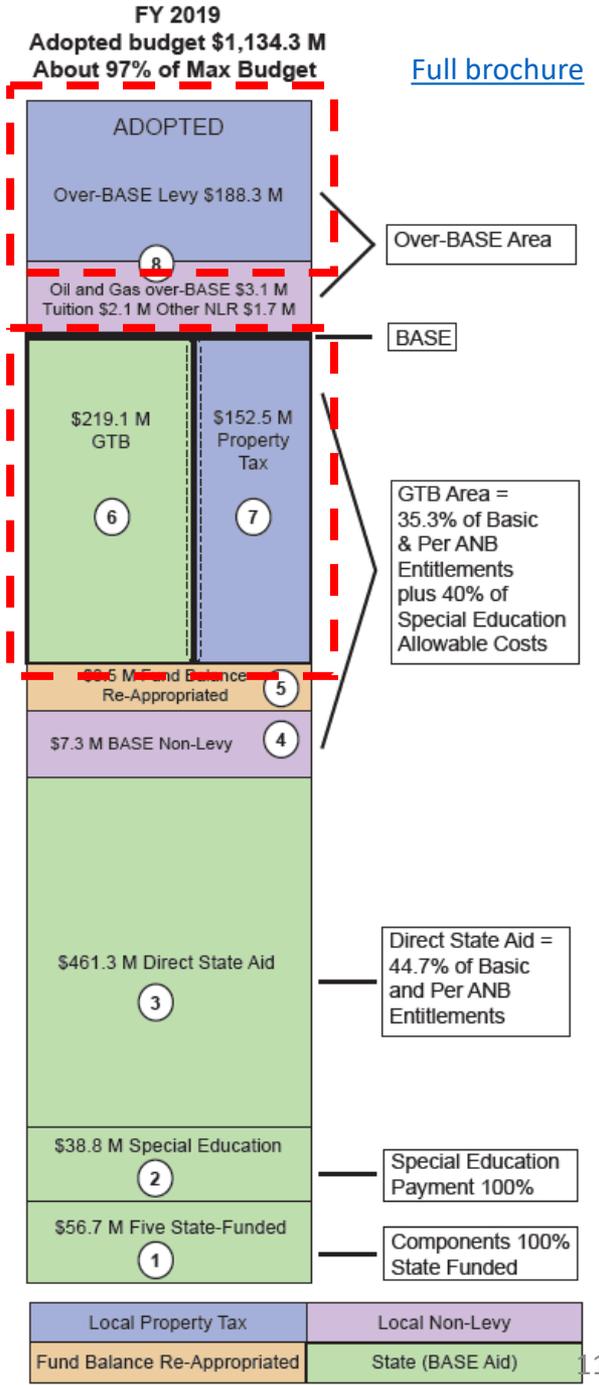
* excludes outlier

Concept of major importance: we have a formula to establish a district's general fund budget limits (below) and a formula for how a district's adopted budget is funded (right). Adopted general fund budgets are often supported by property taxes in both the BASE and overBASE.



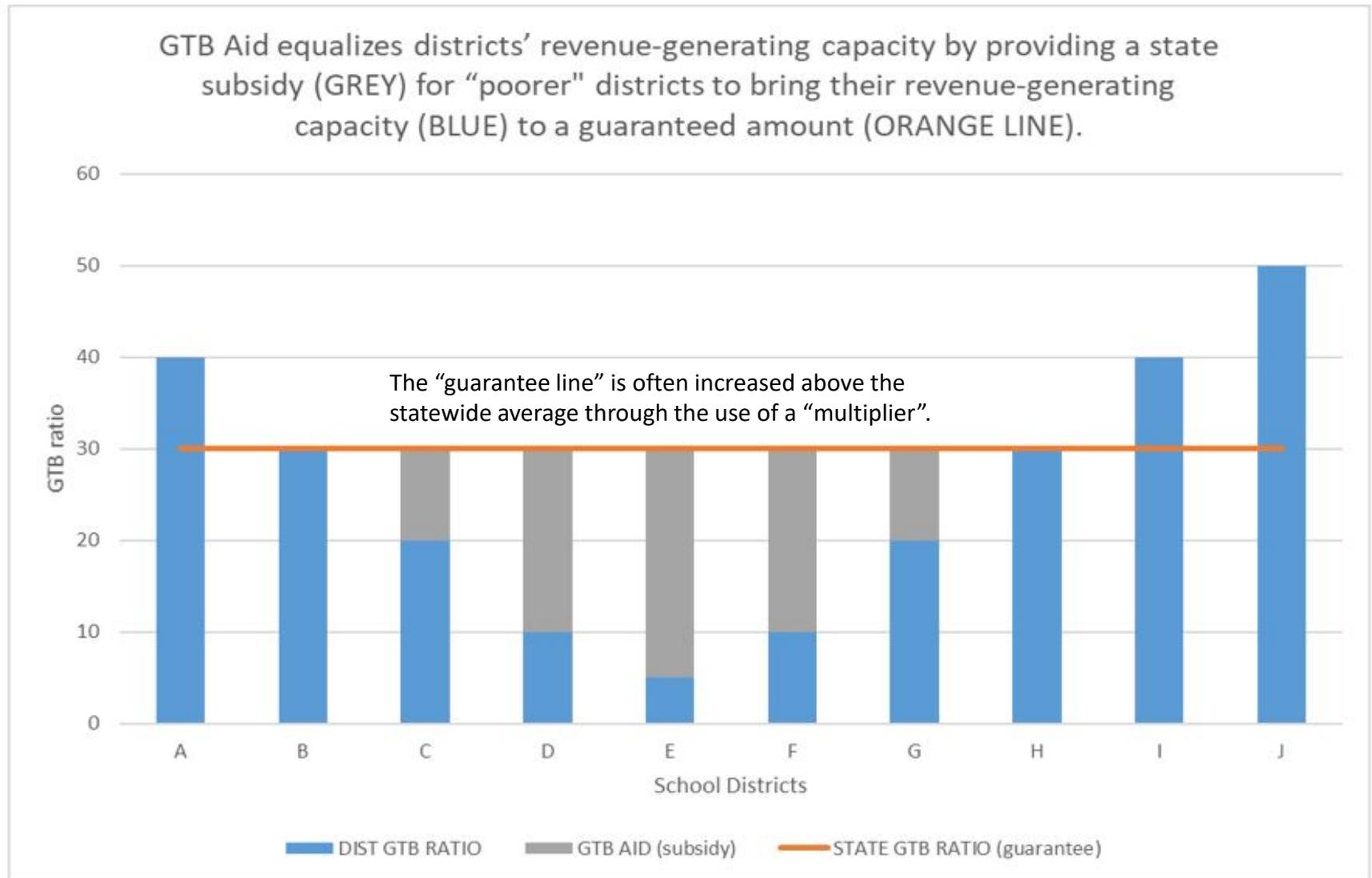
District General Fund
 The largest school district fund is the general fund. Statewide, in FY 2019 districts adopted general fund budgets of \$1.13 billion and received \$776 million in state support.

- ④ **Per ANB Entitlement**- Average Number Belonging - A per-ANB dollar amount based on the average count of students attending a district in October and February of the previous school year.
- ③ **Basic Entitlement** - A set amount per district based on whether it is an elementary school district, middle school district, or high school district. Districts with higher enrollment are eligible for additional basic entitlement "increments."
- ② **Special Education Payment** - an amount per ANB regardless of the count of special education students. Portions of the special education appropriation go to cooperatives and to reimbursements for high-cost students.
- ① **Five 100% State-Funded Components (\$56.7 M)**
 1. Quality Educator Payment - A per-FTE payment for teachers and other licensed professionals (\$40.4 M; \$3,245/FTE)
 2. At Risk Payment - A payment to schools to address at-risk students; or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation (\$5.5 M)
 3. Indian Education For All Payment - A per-ANB payment to fund the constitutionally required education regarding the cultural heritage of the American Indians. (\$3.3 M; \$21.76/ANB)
 4. American Indian Achievement Gap Payment - A per-American Indian student payment for the purpose of closing the performance gap that exists between American Indian students and non-Indian students (\$4.3 M; \$214/AI student)
 5. Data for Achievement - A per-ANB payment used by school districts to pay for costs related to student data systems (\$3.2 M; \$20.84/ANB)



[Full brochure](#)

GTB Basics

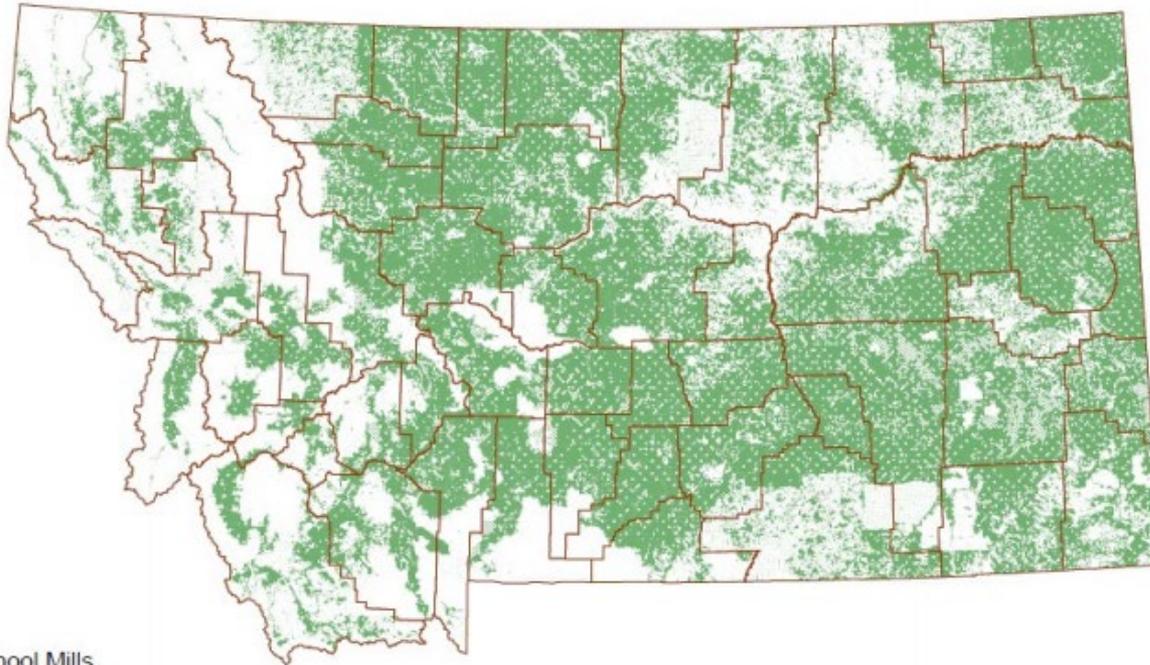


A district's revenue-generating capacity is measured as a ratio of the district's property wealth (taxable value) to its local funding needs/costs (sometimes ANB, but in our district general fund formula, the GTB area).

State mills are identical across the state

All taxpayers pay 95 mills

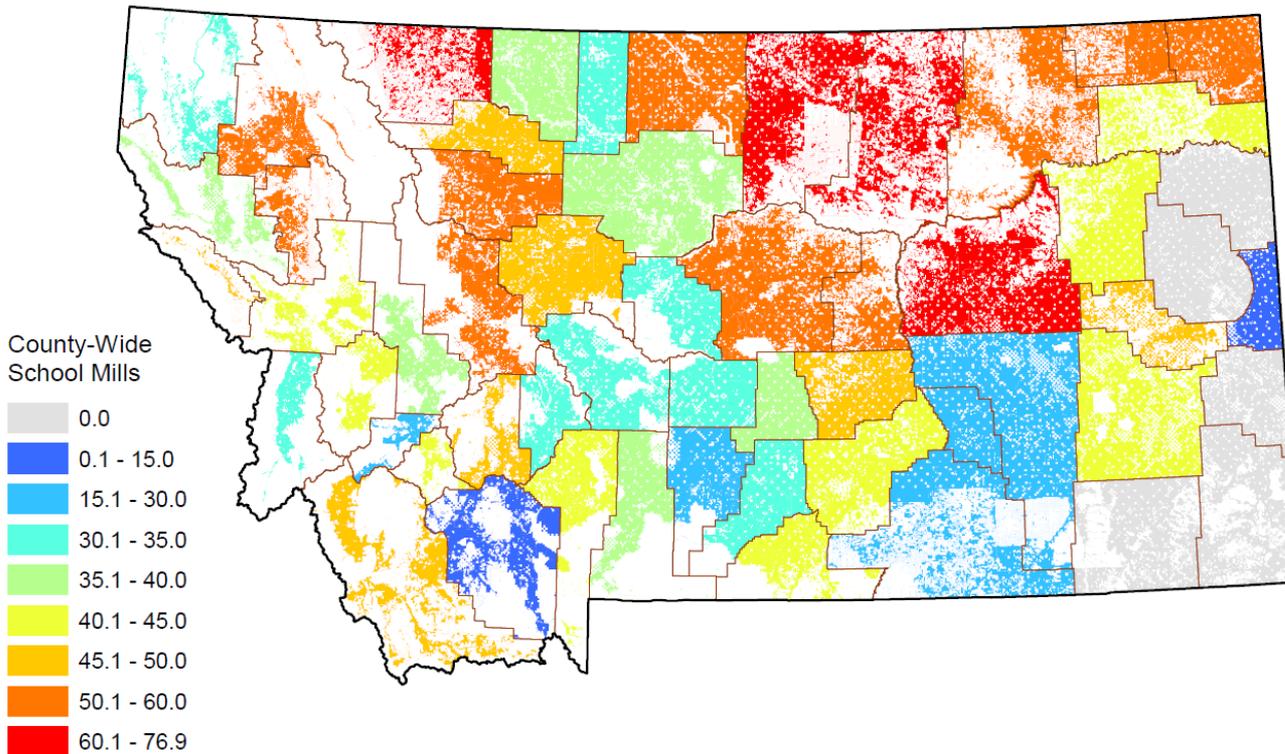
State School Mills by Levy District



- All taxpayers pay the same with the same property value
- 1 mill for a \$200,000 house = \$2.70
- For the same educational services, all residents of a \$200,000 house pay \$256.50

County-wide mills levied for schools vary across the state

County-Wide School Mills by Levy District



- 1 mill for a \$200,000 house = \$2.70
- For the same educational services, residents of a \$200,000 house pay between \$0 and \$207.58

Sources of Variation

Taxable Value per Student

Gallatin County

41.45 county-wide school mills

- Taxable value = \$361.6 million
- Total ANB = 14,420

Gallatin County has \$25,073 in taxable value per ANB

Madison County

9.25 county-wide school mills

- Taxable value = \$147.0 million
- Total ANB = 925

Madison County has \$158,875 in taxable value per ANB

Sources of Variation

Non-Levy Revenue

McCone County

43.43 county-wide school mills

- County-wide school prop. tax = \$335,782
 - Taxable value = \$7.7 million
- Non-levy revenue (NLR) = \$3,414
- Total ANB = 243

McCone County has \$1,382 in county-wide property tax per ANB and \$14 in county-wide NLR per ANB

Richland County

0 county-wide school mills

- County-wide school prop. tax = \$0
 - Taxable value = \$56.7 million
- Non-levy revenue (NLR) = \$2.4 M
- Total ANB = 2,002

Richland County has \$0 in county-wide property tax per ANB and \$1,180 in county-wide NLR per ANB

Sources of Variation

Cost to Provide Services

Garfield County

76.88 county-wide
school mills

- Collects \$1,523/ANB
 - Dollars to schools = \$269,528
 - Total ANB = 177

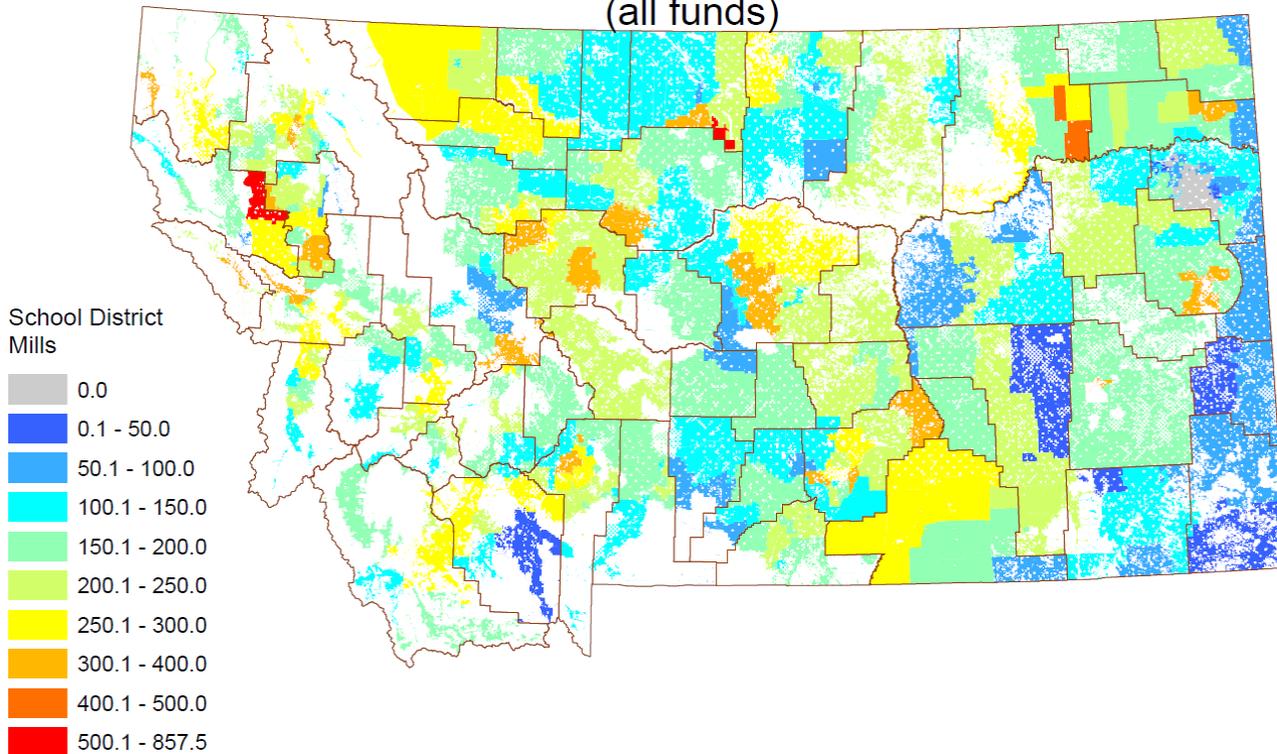
Yellowstone County

42.94 county-wide
school mills

- Collects \$928/ANB
 - Dollars to schools = \$22.7 million
 - Total ANB = 24,412

Mills levied by individual school districts vary across the state

Combined Elementary and High School District Mills by Levy District
(all funds)



- 1 mill for a \$200,000 house = \$2.70
- For the same educational services, most residents of a \$200,000 house pay between \$48.57 and \$941.36
- [Interactive School Mills Map](#)

Sources of Variation

Taxable Value per Student

Big Sky K-12 District (Gallatin)

104.09 local school district mills

- Taxable value = \$35.4 million
- Total ANB = 382

\$92,547 in taxable value per ANB

Ennis K-12 District (Madison)

21.39 local school district mills

- Taxable value = \$130.9 million
- Total ANB = 399

\$328,066 in taxable value per ANB

Sources of Variation

Non-Levy Revenue

Vida Elem. & Circle HS (McCone)

144.38 local school district mills

- Local school prop. tax = \$868,120
 - Taxable value = \$2.7 million
- Non-levy revenue (NLR) = \$7,877
- Total ANB = 95

\$9,138 in district property tax per ANB and \$83 in district NLR per ANB

Lambert Elem. & Savage HS (Richland)

66.05 local school district mills

- Local school prop. tax = \$219,207
 - Taxable value = \$1.2 million
- Non-levy rev. (NLR) = \$1.4 million
- Total ANB = 120

\$1,827 in district property tax per ANB and \$13,347 in district NLR per ANB

Sources of Variation

Cost to Provide Services

Cohagen Elem. & Garfield Co. HS (Garfield)

142.49 local school district mills

- Collects \$19,602/ANB
 - Taxable value = \$7.3 million
 - Total ANB = 53
- 45.45 BASE mills + 46.81 over-BASE = 92.26 district general fund mills
 - \$12,692/ANB
- Transportation & bus depreciation mills = 50.23
 - Permissive mills
 - \$6,910/ANB

Broadview Elem. & HS (Yellowstone)

105.31 local school district mills

- Collects \$14,857/ANB
 - Taxable value = \$20.7 million
 - ANB = 147
- 45.27 BASE mills + 38.97 over-BASE = 84.24 district general fund mills
 - \$11,884/ANB
- Transportation & bus depreciation mills = 16.24
 - Permissive mills
 - \$2,291/ANB

Sources of Variation

Local Choice

East Helena K-12 District (Lewis & Clark)

375.60 local school district mills

- Collects \$4,663/ANB
 - Taxable value = \$15.8 million
 - Total ANB = 1,269
- 66.69 BASE + 49.88 over-BASE = 116.57 district general fund mills
 - \$1,437/ANB
- Debt service mills = 185.60
 - Voted mills
 - \$2,304/ANB

Clancy Elem. & Jefferson HS (Jefferson)

172.71 local school district mills

- Collects \$1,943/ANB
 - Taxable value = \$7.1 million
 - Total ANB = 628
- 57.28 BASE + 69.41 over-BASE = 126.69 district general fund mills
 - \$1,425/ANB
- Debt service mills = 0
 - Voted mills
 - \$0/ANB