

SCHOOL FUNDING BASICS: DISTRICT BUILDING RESERVE FUND

EDUCATION INTERIM COMMITTEE
PAD MCCrackEN - JANUARY 2024

OVERVIEW AND PURPOSE

The school district building reserve fund has been modified in recent legislative sessions to help ensure that school districts can perform major maintenance projects (like replacing roofs and boilers) and any necessary security and safety improvements. As a reserve fund, it is generally intended to accumulate money over a period of years in anticipation of a major maintenance project, but it can also be used to repay loans.



The building reserve fund is the fifth largest budgeted school district fund.

DISTRICT BUILDING RESERVE FUND BASICS

Fun fact – The building reserve fund can consist of up to four subfunds:

1. A subfund created when voters approve a levy for a major construction or maintenance project.
2. A subfund created when the trustees authorize a permissive (nonvoted) levy for specific major maintenance projects that triggers state major maintenance aid (see section on this subfund).
3. A subfund created when voters approve a levy for transition costs when the district opens or closes a school or reorganizes through consolidation, annexation, or expansion from a K-8 to a K-12 district.
4. A subfund created when the trustees transfer money to the building reserve fund for safety and security improvements and/or voters approve a levy for safety and security improvements.

How is the district building reserve fund funded?

1. District property tax levies (some voted; some permissive)
2. State Major Maintenance Aid
3. District transfers and other nonlevy revenue

STATE MAJOR MAINTENANCE AID (MMA) BASICS

State MMA might be the most complex of all the school funding formulas found in Title 20, MCA. It is GTB-like in that it provides more aid to districts with lower taxable value, but it provides a state subsidy *per-dollar of local effort* (this can be a permissive levy not to exceed 10 mills or transfers from other funds) to every district that chooses to participate, ranging from about 17 cents per dollar for the wealthiest districts to 4 dollars per dollar in the poorest districts. The local effort and state subsidy are calculated to allow the district to raise a fixed amount of revenue based on district size. In FY 2024, about \$10 million in state MMA will be distributed to school districts.

