

Montana Constitution



Article X – Education and Public Lands

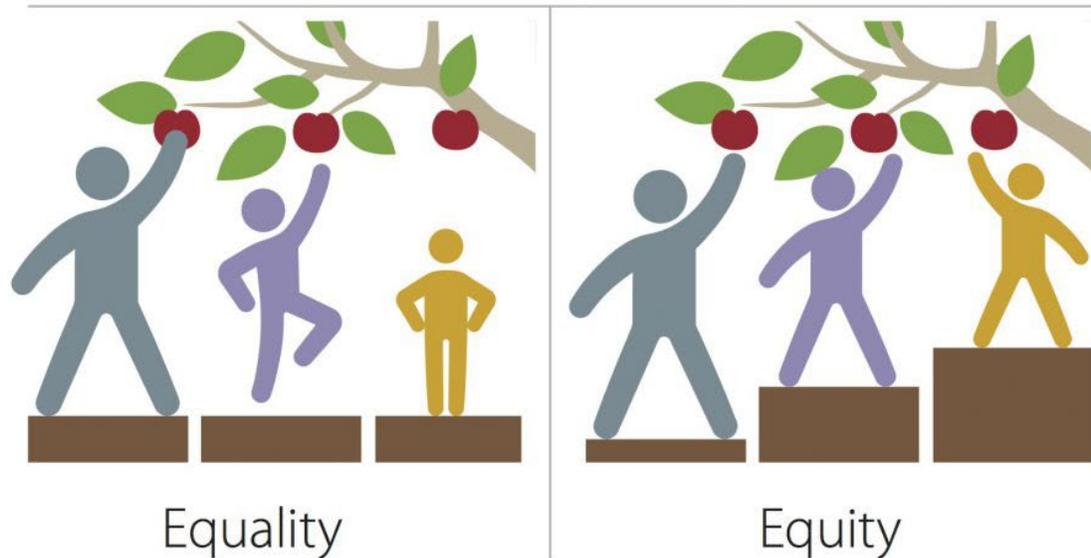
Section 1. Educational goals and duties.

(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.**

Equality vs. Equity



Equity is about fairness. In the right-hand picture, 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) Children (and schools/districts) require varying amounts of resources to develop their educational potentials; and
- 2) Districts have varying capacities to generate local revenue.

School District Funds

in relative proportion to budget size



Transportation Fund

used for **to-and-from school transportation costs** including buses, fuel, and drivers (not for extracurricular activities or field trips); funded with **countywide and district levies and state reimbursement**



Bus Depreciation Fund

used to accumulate funds for bus replacement and additional school buses; funded through **district levy**



Tuition Fund

used to pay tuition for a student who attends school outside the student's district of residence and for certain special education costs; funded through **district levy**



Adult Education Fund

used for general and vocational education and for individuals 16 years of age or older who are not regularly enrolled students; can be used to supplement advanced opportunity aid; funded through **district levy**



School District General Fund

used for the **basic instructional and operational costs** of the district not provided for in another fund, including salaries and benefits (other than retirement) for most employees, instructional materials, and basic facility operational costs; funded with **district levies and state aid, including BASE GTB aid**



Technology Fund

used for the purchase, rental, repair and maintenance of technology equipment, and associated technical training for school district personnel; funded through **district levy and state tech payment**



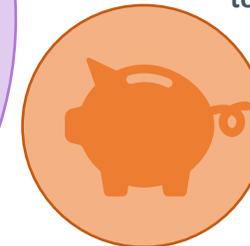
Flexibility Fund

used for technology, facility expansion, student assessment and evaluation, curriculum development, and certain other types of expenditures; funded through **transfers, grants, and a limited district levy to supplement transformational learning aid**



Debt Service Fund

used to service (pay off) the debt the district has incurred from issuing (selling) bonds, typically for major construction; funded through **district levy and state debt service assistance (GTB-like)**



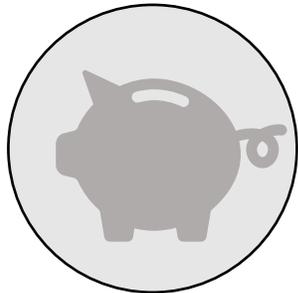
Building Reserve Fund

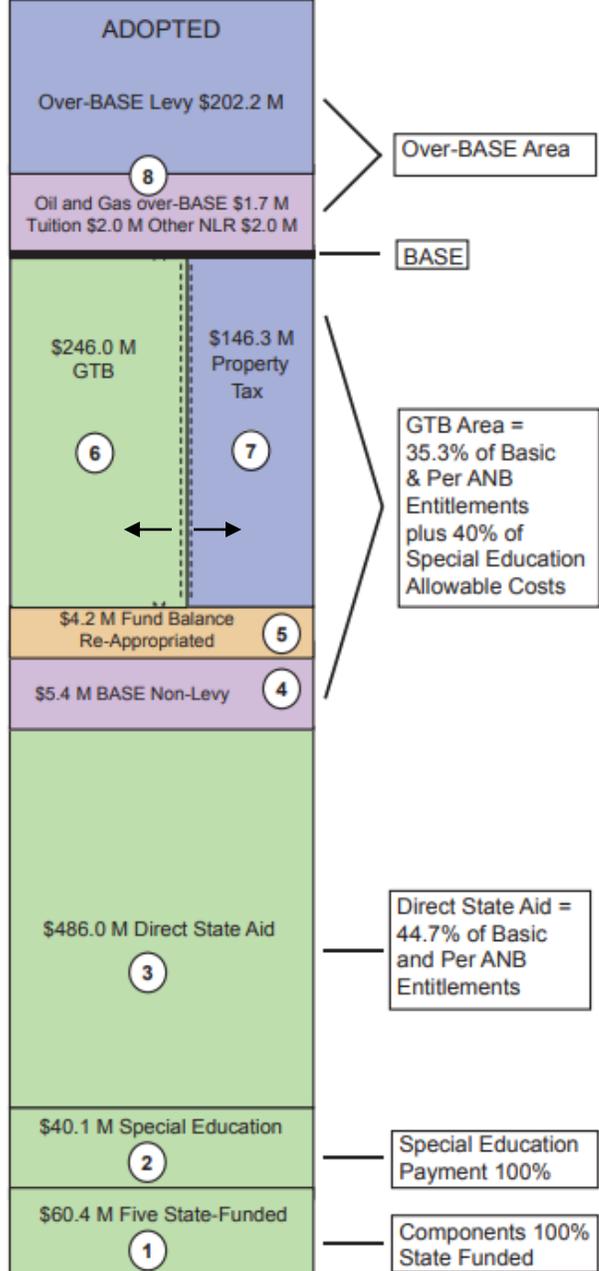
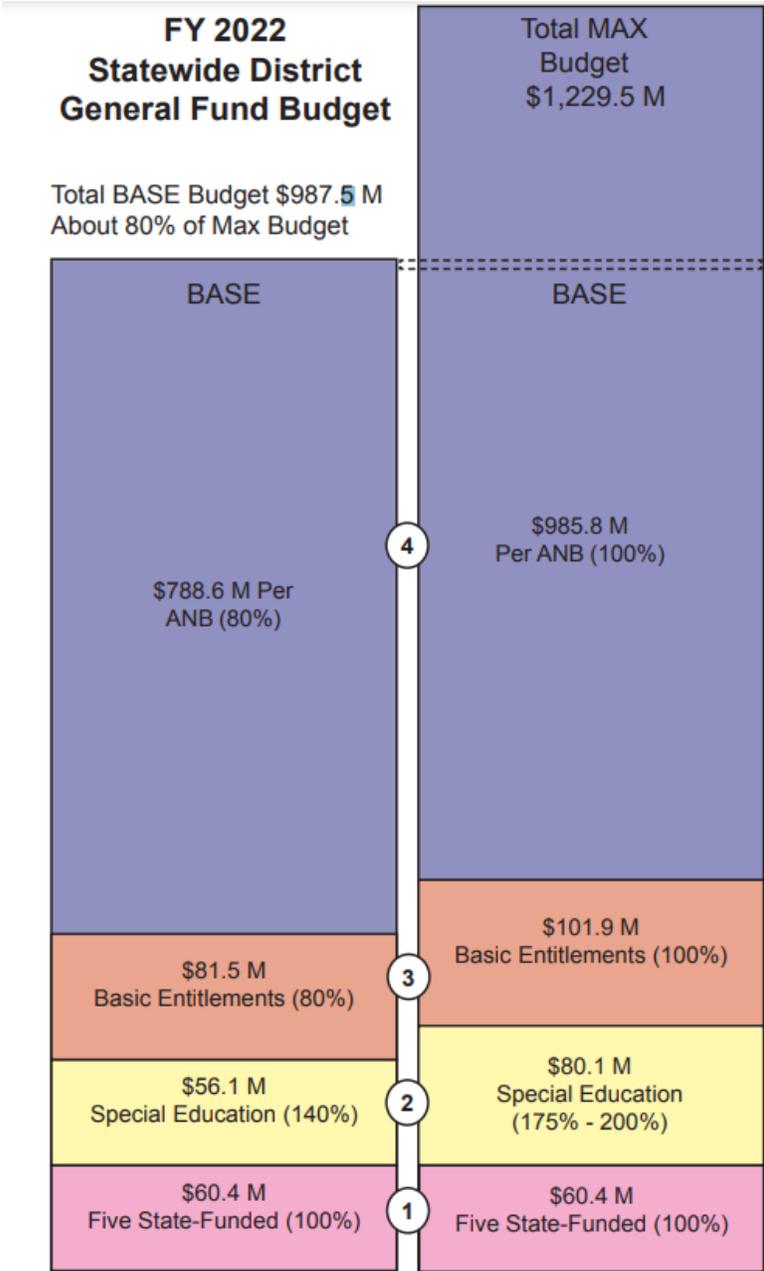
used for school major maintenance projects and safety improvements; funded with transfers, **district levies and State Major Maintenance Aid (GTB-like)**



Retirement Fund

For **employer (district) contributions** to the teacher retirement system (TRS) and the public employees retirement system (PERS)*, based on statutorily established rates; retirement benefits are paid by TRS and PERS, not districts; also for FICA and unemployment insurance; funded through **countywide levy with state RET GTB support**





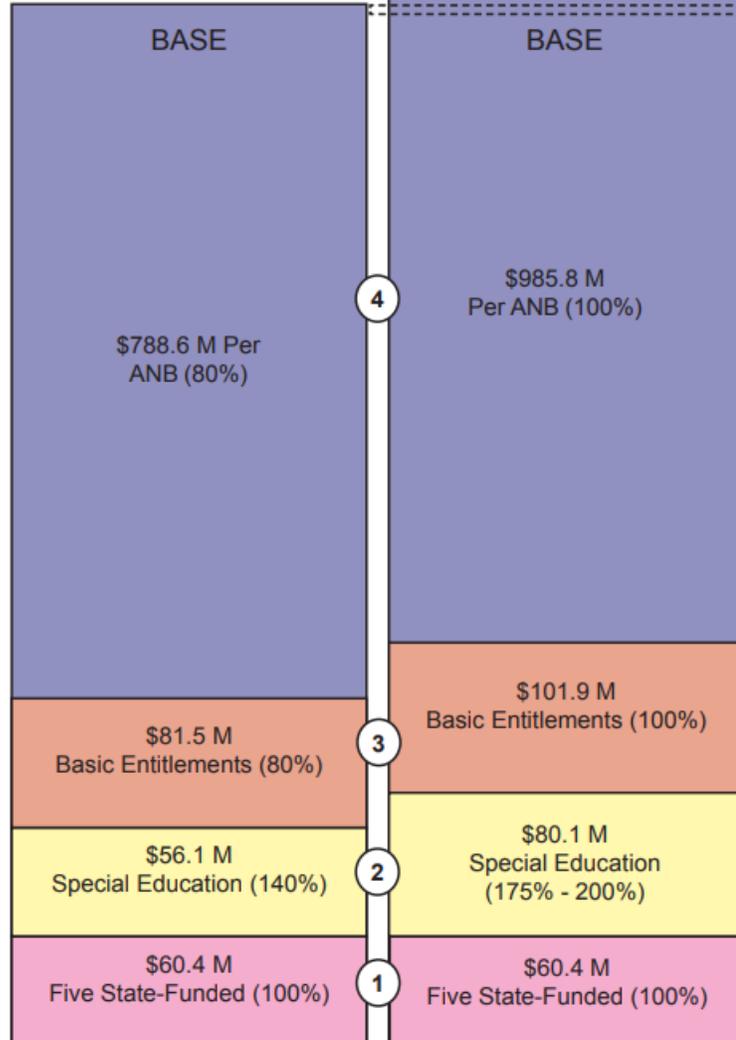
Concept of major importance:

We have a formula to establish a district's general fund budget limits (left) 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 over-BASE.

Source: Legislative Services Division

**FY 2022
Statewide District
General Fund Budget**

Total BASE Budget \$987.5 M
About 80% of Max Budget



District General Fund
The largest school district fund is the general fund. Statewide districts adopted general fund budgets of \$1.2 billion and received \$841 million in state support.

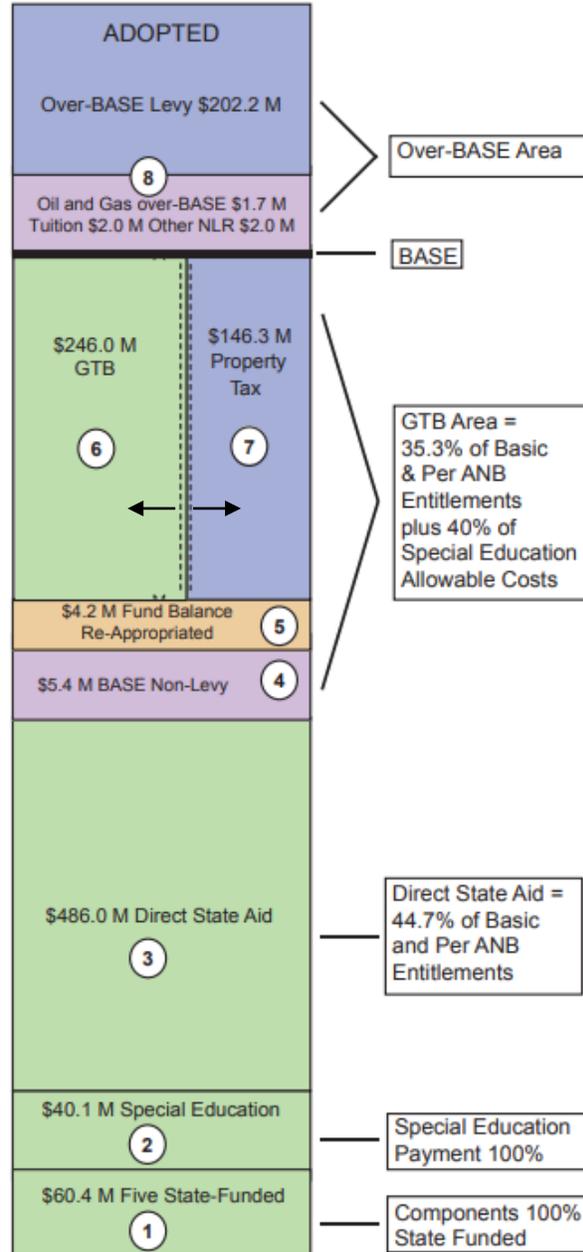
- 4 **Per ANB Entitlement**- Average Number Belonging - A per-ANB dollar amount driven by the greater of the prior year's enrollment or a 3-year average.
- 3 **Basic Entitlement** - A set amount per district based on whether it is an elementary school district, middle school district, or high school 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 State-Funded Components**
 1. Quality Educator Payment - A per-FTE payment for teachers and other licensed professionals
 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
 3. Indian Education For All Payment - A per-ANB payment to fund the state's constitutional commitment to the preservation of American Indian cultural integrity
 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
 5. Data for Achievement - A per-ANB payment used by school districts to pay for costs associated with student data systems

Concept of major importance:

We have a **formula to establish a district's general fund budget limits** and a formula for how a district's adopted budget is funded. Adopted general fund budgets are often supported by property taxes in both the BASE and over-BASE.

Source: Legislative Services Division

FY 2022
 Adopted budget \$1,195.7 M
 About 97% of Max Budget



School district general fund adopted budgets are funded
 with a blend of state and local revenues.

- 8 Any Over-BASE area of a district's adopted budget is funded by available nonlevy revenues, tuition payments, and/or an Over-BASE levy approved by voters.
- 7 • BASE Property Taxes - Local property tax revenues
- 6 • GTB - Guaranteed Tax Base Aid - A state subsidy for mill levies used to equalize property wealth across the state. GTB aid provides a subsidy per mill to eligible districts
- 5 • Fund Balance Re-appropriated - Any excess district general fund from the previous year
- 4 • BASE Non-levy Revenue - Items such as interest earnings, facility rental income, summer school, oil and gas revenues, coal gross proceeds
- 3 Direct State Aid - received by every district and is equal to 44.7 percent of the district's Per-ANB and Basic entitlements
- 2 Special Education Payment - Formula funds provided to local school districts in the form of block grants
- 1 Five State-Funded Components - 100% funded by the state

The GTB Area is funded by:

GTB Area =
 35.3% of Basic
 & Per ANB
 Entitlements
 plus 40% of
 Special Education
 Allowable Costs

Other State Funding

The legislature is also responsible for setting rates for state participation in teacher's retirement, transportation and debt service. Formulas for those payments can be found in Title 20, Chapter 9 of the Montana Code Annotated.

Impacts to Local Districts

The legislature's role is to assure adequate funding for a quality school system. If the legislature needs to adjust the formula, there could be local tax consequences. The main source of local contribution is property taxes.

Concept of major importance:

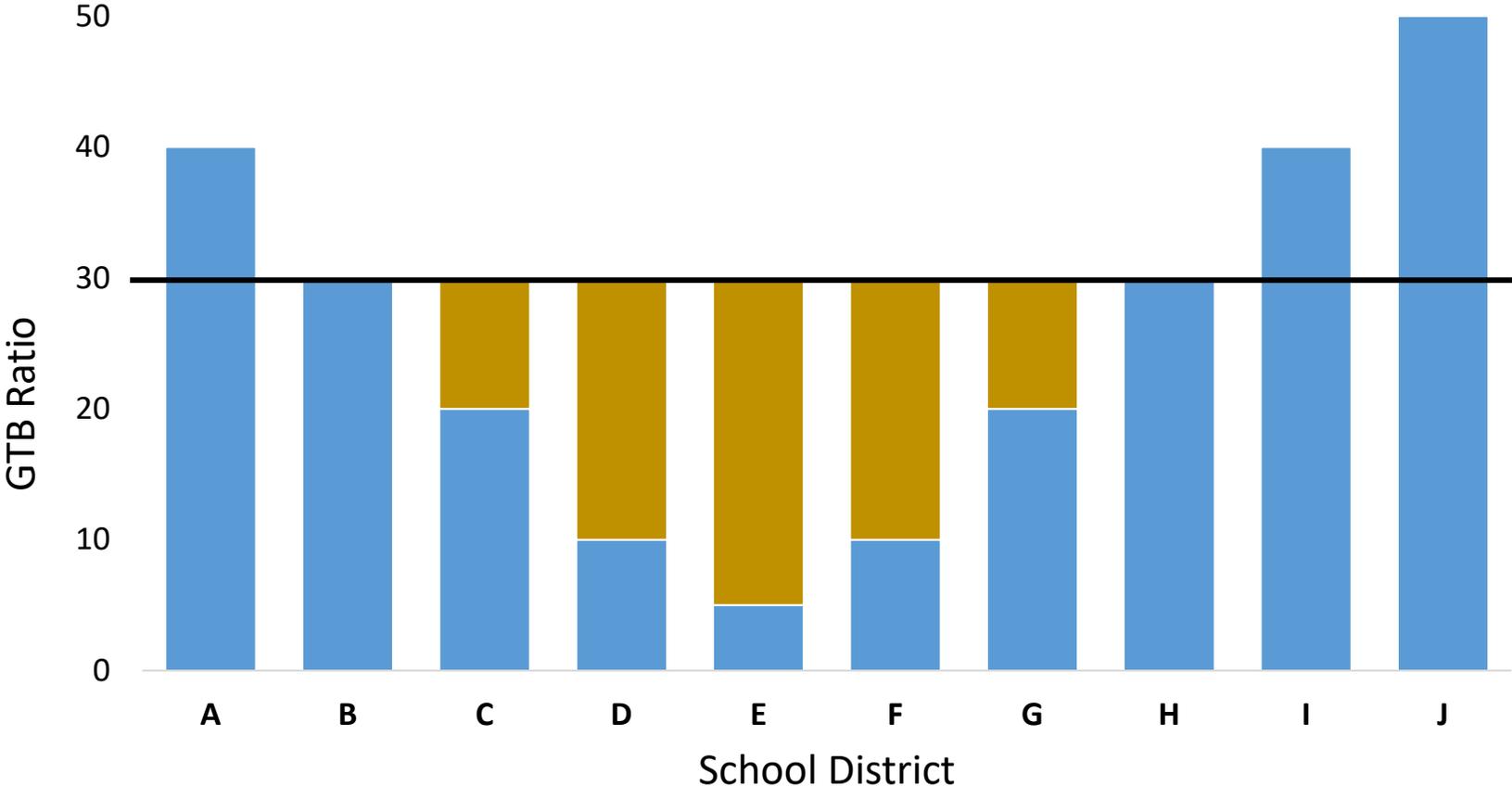
We have a formula to establish a district's general fund budget limits and a **formula for how a district's adopted budget is funded**. Adopted general fund budgets are often supported by property taxes in both the BASE and over-BASE.

Source: Legislative Services Division

GTB aid equalizes districts' revenue-generating capacity by providing a **state GTB aid subsidy** for districts with less property tax wealth to bring their **revenue-generating capacity (based on the district GTB ratio)** to a **guaranteed amount**



GTB Aid



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

GTB effectively transfers money from high tax value and/or low student areas to low tax value and/or high student areas. When combined with the school funding formula, this promotes base level equal opportunities for students across Montana.

For example, Ennis K-12 and Superior K-12 school districts have relatively comparable enrollment (ANB), and Superior K-12 receives GTB aid while Ennis K-12 does not:



GTB Aid

School District	ANB	Taxable Value	GTB	BASE Levy Revenue	Mill Value	Number of Mills
Ennis K-12	425	\$191.4M	\$0	\$1,217,878	\$191,381	6.36
Superior K-12	351	\$5.2M	\$791,827	\$1,041,797	\$5,196	48.08

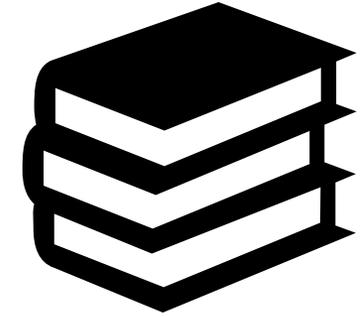
This is due to the difference in tax bases for the districts.

The number of mills it would take to raise \$1.0 million for those two districts WITHOUT GTB are calculated below:

School District	ANB	Taxable Value	GTB	Levy Revenue	Mill Value	Number of Mills
Ennis K-12	425	\$191.4M	\$0	\$1,000,000	\$191,381	5.23
Superior K-12	351	\$5.2M	\$0	\$1,000,000	\$5,196	192.46

It would take Superior K-12 192.46 mills to collect \$1.0 million, while Ennis K-12 would need only 5.23 mills to do the same. GTB aid helps equalizes the tax burden for education between different areas.

Resources & Sources



- [Legislative Training and Publications](#)
 - [K-12 Funding in Montana - Big Picture Overview Story Map](#)
 - [Property Taxes in Montana Story Map](#)
 - [Guarantee Account Brochure](#)

 - [Montana Special Education Funding Basics Story Map](#)
 - [School District General Fund Story Map](#)
 - [School District Retirement Fund Story Map](#)
 - [School District Transportation Fund Story Map](#)
 - [School District Debt Service Fund Story Map](#)
 - [Interactive School Mills Map](#)

 - [K-12 Funding Basics – District General Fund](#)
 - [LFD Data-Driven Decision Making](#) – Education Tab & Property Taxes Tab
- [Office of Public Instruction Financial Data Files](#)
 - [Dept. of Revenue Biennial Report \(Property Tax\)](#)
 - [OPI Understanding Montana School Finance and School District Budgets](#)

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