

School Funding 101

LEG Days Trainings

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School funding is constitutionally required

[Montana Constitution \(Article X, Part X, Section 1\)](#)

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 [the legislature] 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.**

Per [20-9-309, MCA](#), the legislature shall:

(a) determine the costs of providing the basic system of free quality public elementary and secondary schools;

(b) establish a funding formula that:

(i) is based on the definition of a basic system of free quality public elementary and secondary schools and reflects the costs associated with providing that system as determined in subsection (4)(a);

(ii) **allows the legislature to adjust the funding formula** based on the educationally relevant factors identified in this section;

(iii) is self-executing and includes a mechanism for annual inflationary adjustments;

(iv) is based on state laws;

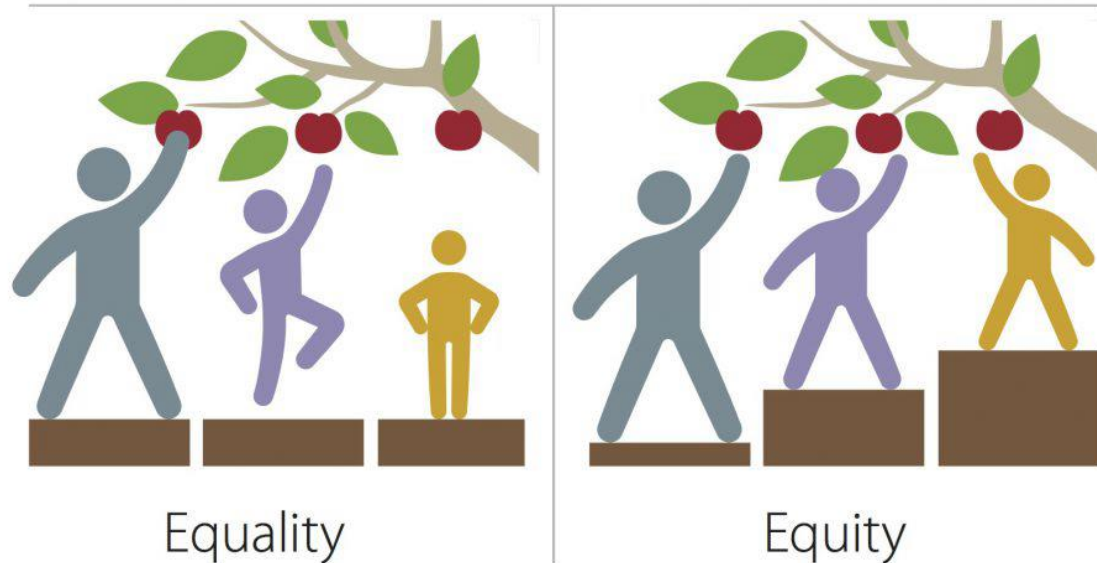
(v) is based on federal education laws consistent with Montana's constitution and laws; and

(vi) distributes to school districts in an equitable manner the state's share of the costs of the basic system of free quality public elementary and secondary schools; and

(c) consolidate the budgetary fund structure to create the number and types of funds necessary to provide school districts with the greatest budgetary flexibility while ensuring accountability and efficiency.

The only entity that can modify Montana's school funding formula is the Montana Legislature.

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.

Montana's funding formula takes both kinds of need into consideration to ensure students across the state have quality schools. In this sense, **equitable** distribution of funding helps ensure the "**equality** of educational opportunity" guaranteed in Montana's constitution.

School District Budgeted Funds

in relative proportion to budget size

All of these funds receive both property tax revenue and revenue from other sources. The property tax levies for the funds are set in different ways— some are required levies, some are permissive levies (non-voted), and some are voted levies.

Retirement Fund *(permissive levy)*

For **employer (district) contributions** to the teacher retirement system (TRS) and the public employee 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**

Debt Service Fund *(voted levy)*

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)

Transportation Fund *(permissive levy)*

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**

Building Reserve Fund

(blend of permissive & voted levies)

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

Adult Education Fund *(permissive levy)*

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**

Tuition Fund *(permissive levy)*

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**

Technology Fund *(voted levy)*

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 *(permissive levy)*

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**

Bus Depreciation Fund *(permissive levy)*

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

School District General Fund

(required levy for the BASE budget, voted levy for the over-BASE portion)

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**

The Funding Formula & the District General Fund

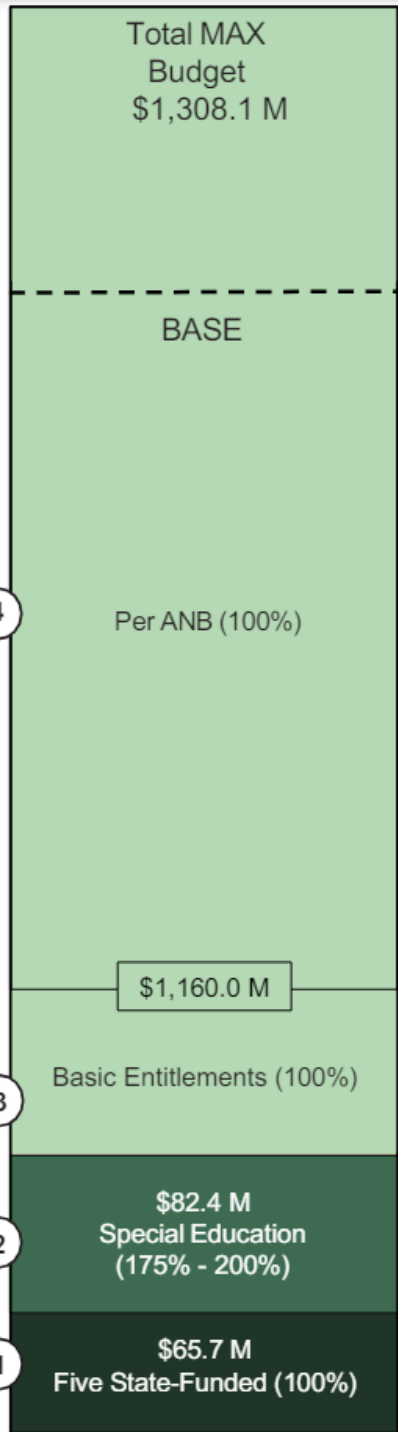
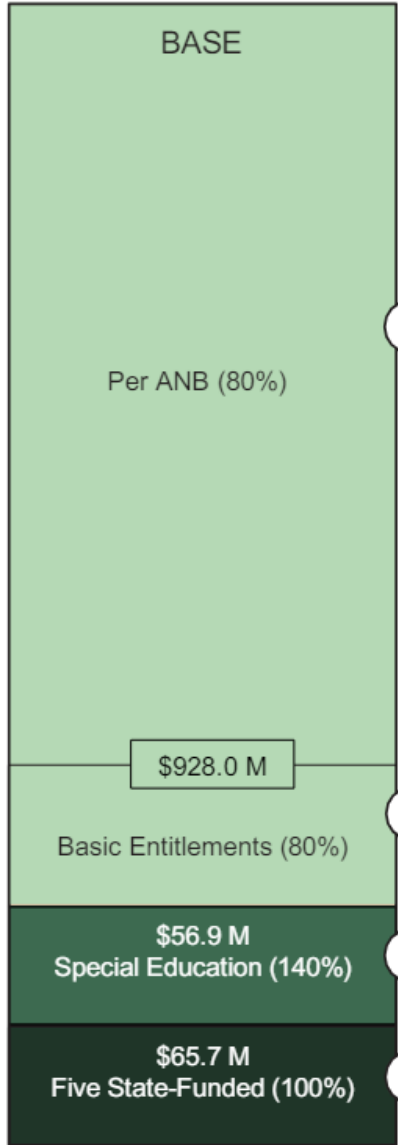
The Office of Public Instruction distributes state and federal funding to school districts over the course of the year, using the school funding formula (for the district general fund).

Montana has about 400 school districts serving roughly 150,000 students. In school funding, we use an enrollment metric called Average Number Belonging (ANB) when to talk about a district's enrollment.

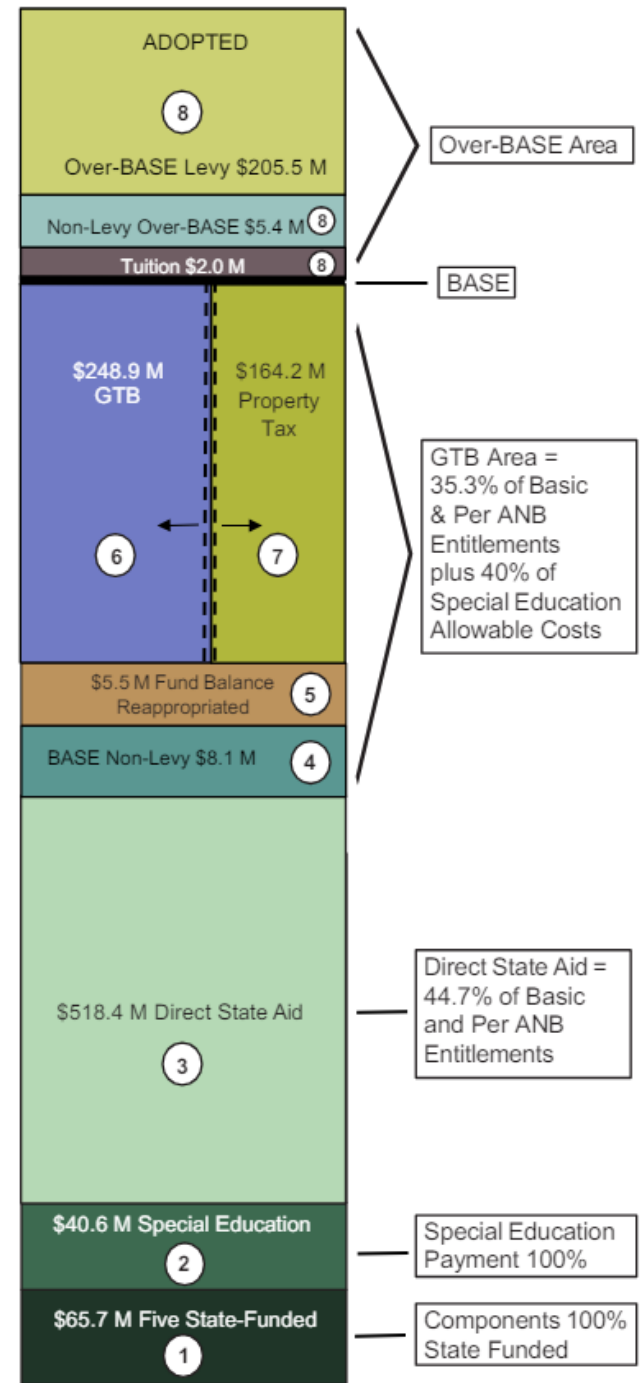


**FY 2024
Statewide District
General Fund Budget**

Total BASE Budget \$1,050.5 M
About 80% of Max Budget



About 97% of Max Budget



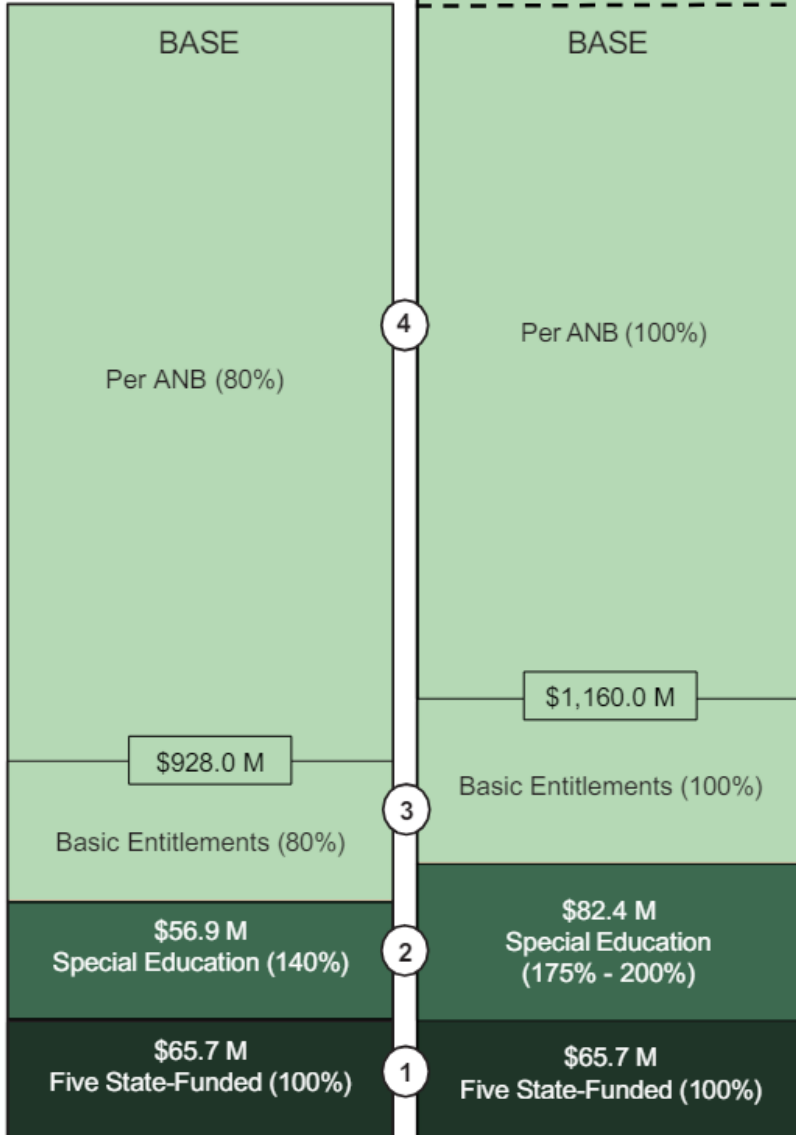
There are 2 parts to the school funding formula:

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).

➤ See the [School District General Fund Interactive Tool](#) to look at these district general fund charts by school district.

FY 2024 Statewide District General Fund Budget

Total BASE Budget \$1,050.5 M
About 80% of Max Budget



Total MAX
Budget
\$1,308.1 M

District General Fund

The largest school district fund is the general fund. Statewide districts adopted general fund budgets of \$1.3 billion and received \$874 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.

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Five State-Funded Components

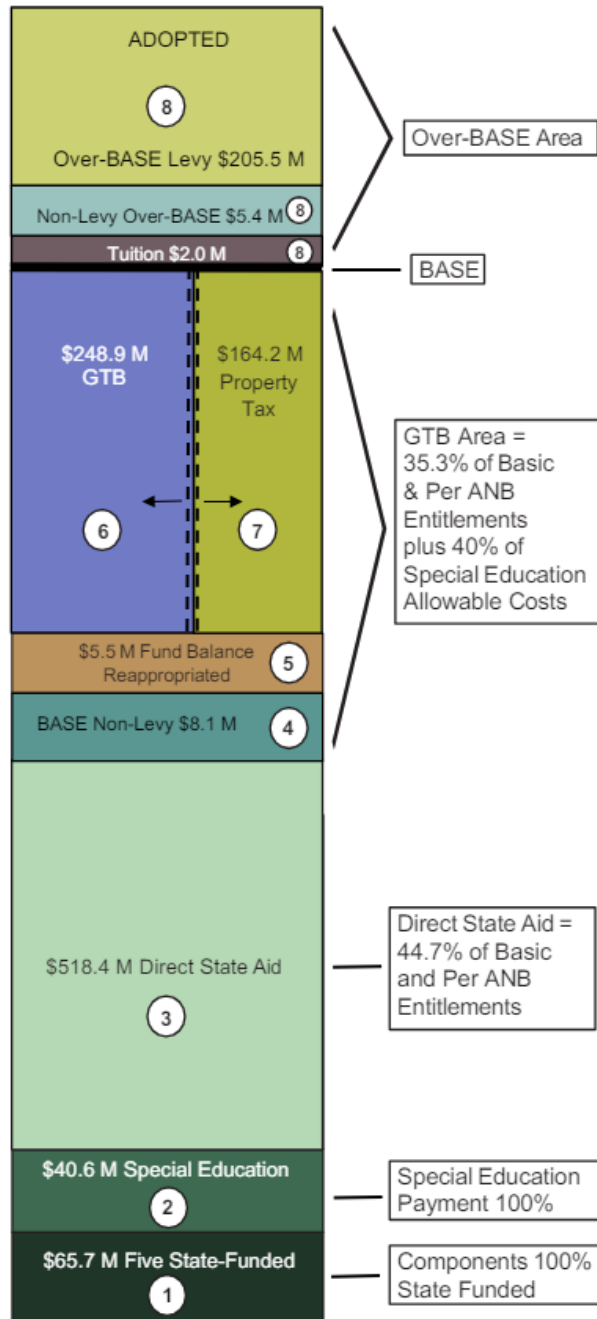
1. Quality Educator Payment - A per-FTE payment for teachers and other licensed professionals
2. At Risk Payment - A payment to schools to address at-risk students; or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation
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

Formula for establishing a district's general fund budget limits:

Each school district in Montana establishes a minimum **Basic Amount for School Equity (BASE) budget** and a **maximum (MAX) budget**, based on percentages of certain school funding components.

There are certain exceptions that allow a district to adopt a budget slightly over MAX, primarily due to declining enrollment.

Adopted budget \$1,264.4 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 non-levy 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

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.

Formula for how a district's adopted budget is funded:

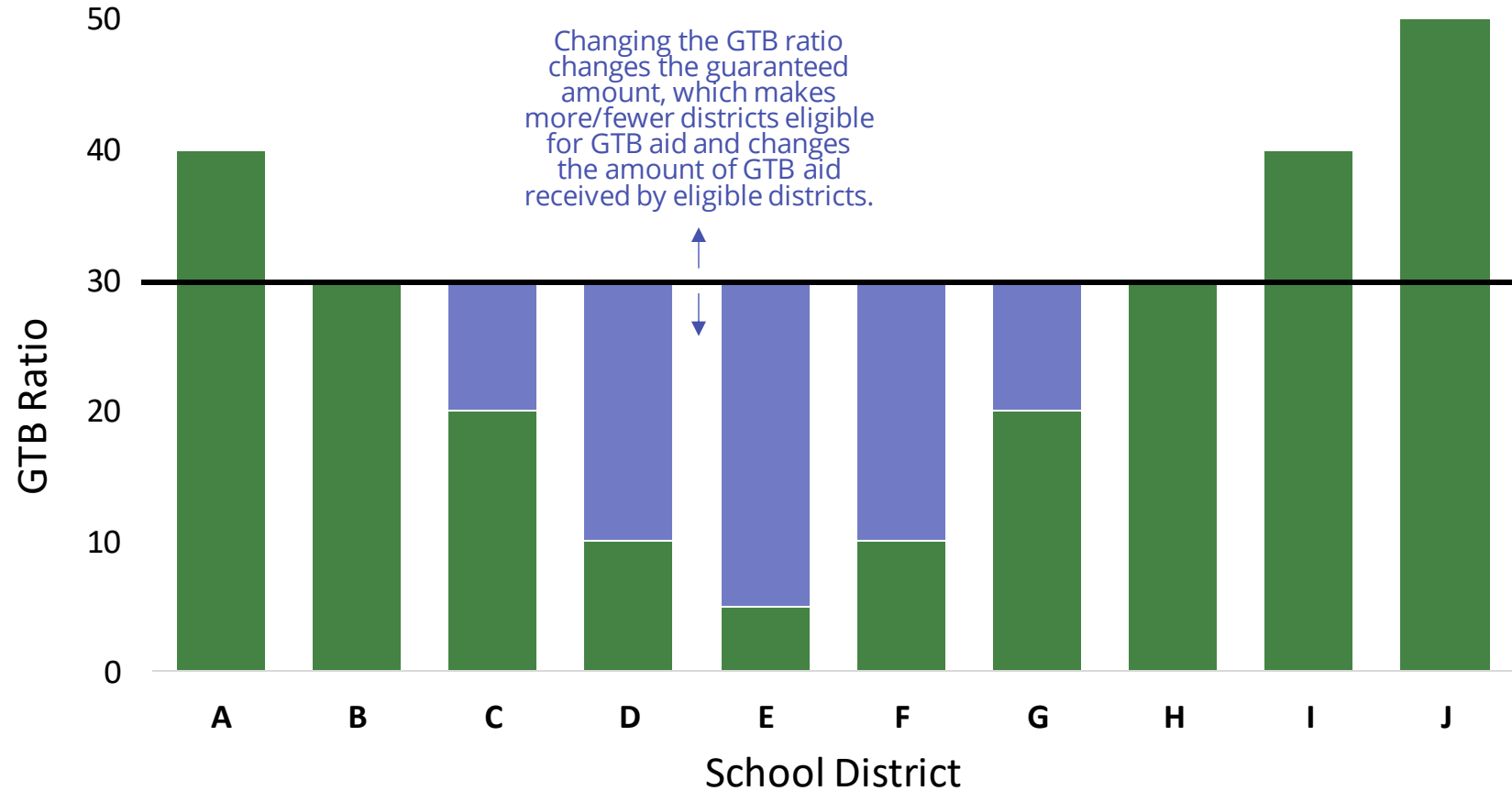
The state levy (95 mills) partially funds the state components (the five fully state funded components, special education, direct state aid, and guaranteed tax base aid), but cannot support the entire amount of K-12 funding from the state. The remainder of state funding comes from the state general fund (primarily made up of income tax).

Adopted general fund budgets are also often supported by local property taxes in both the BASE (required levies) and over-BASE (voted levies).



Guaranteed Tax Base (GTB) Aid

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**



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).



Guaranteed Tax Base (GTB) Aid

GTB provides support for 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:

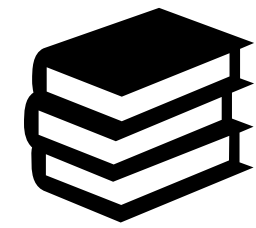
School District	ANB	Taxable Value	GTB	BASE Levy Revenue	Mill Value	Number of Mills
Ennis K-12	425	\$191.4M	\$0	\$1,217,878	\$191,381	6.36
Superior K-12	351	\$5.2M	\$791,827	\$249,824	\$5,196	48.08

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

Brochures

- [K-12 Funding Basics – District General Fund](#)
- [Guarantee Account Brochure](#)

Story Maps

- [K-12 Funding in Montana - Big Picture Overview Story Map](#)
- [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](#)
- [Property Taxes in Montana Story Map](#)

Property Tax Resources

- [Property Tax Library](#)

Interactive Tools

- [Property Tax Interactive Model](#)
- [School District General Fund Interactive Tool](#)
- [School Mills Interactive Map](#)
- [School Enrollment, Revenues, and Expenditures Tool](#)

Data Sources

- [Office of Public Instruction Financial Data Files](#)
- [Dept. of Revenue Biennial Reports \(Property Tax\)](#)
- [OPI Understanding Montana School Finance and School District Budgets](#)

School Funding Resources

- [School Funding Library](#)

A scenic mountain landscape with snow patches and purple flowers in the foreground. The background features rugged mountains with patches of snow under a cloudy sky. The foreground is a grassy field with several purple flowers in bloom.

Questions?