

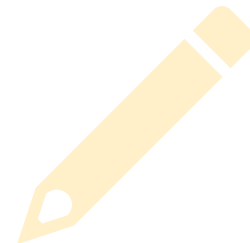


# **K-12 School Funding & Budgeting**

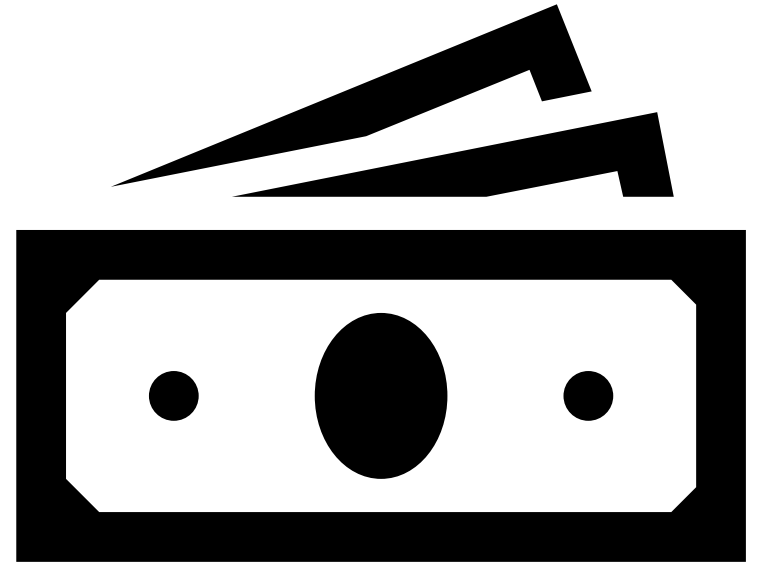


**Section E Subcommittee**

**January 29, 2021**



# School Funding



# Multiple entities share governance for K-12 education in Montana

## The Legislature

- Provides a basic system of free quality public schools, and funds and distributes the state share to the school districts in an equitable manner

## The Superintendent of Public Education

- Has duties as provided by law
- Serves as an ex-officio non-voting member of the Board of Public Education

## The Board of Public Education

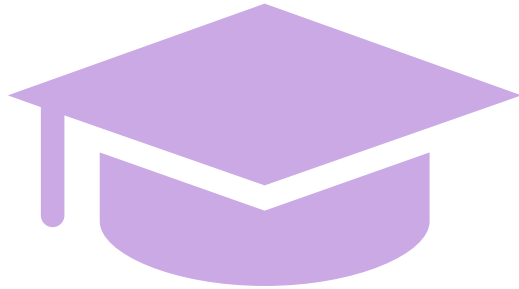
- Exercises general supervision over the public school system and such other public educational institutions as assigned by law

## School District Trustees

- The supervision and control of schools in each school district shall be vested in a board of trustees to be elected as provided by law



# School funding is constitutionally required



“The legislature shall provide a basic system of free quality public elementary and secondary schools. ... 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.”

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



# Montana Constitution

---

## Article X – Education and Public Lands

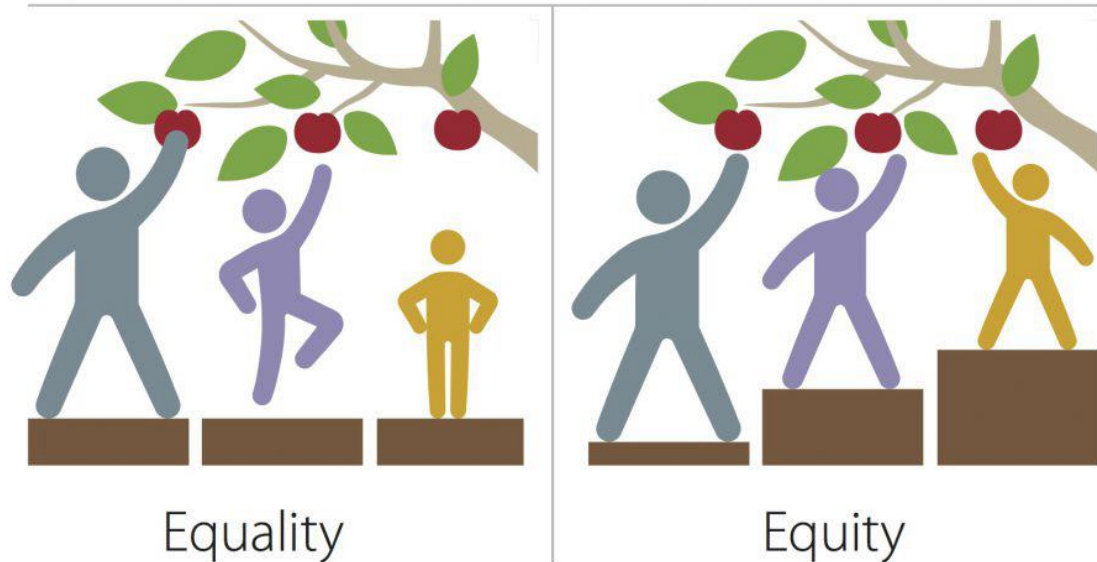
Section 1. Educational goals and duties.

**(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

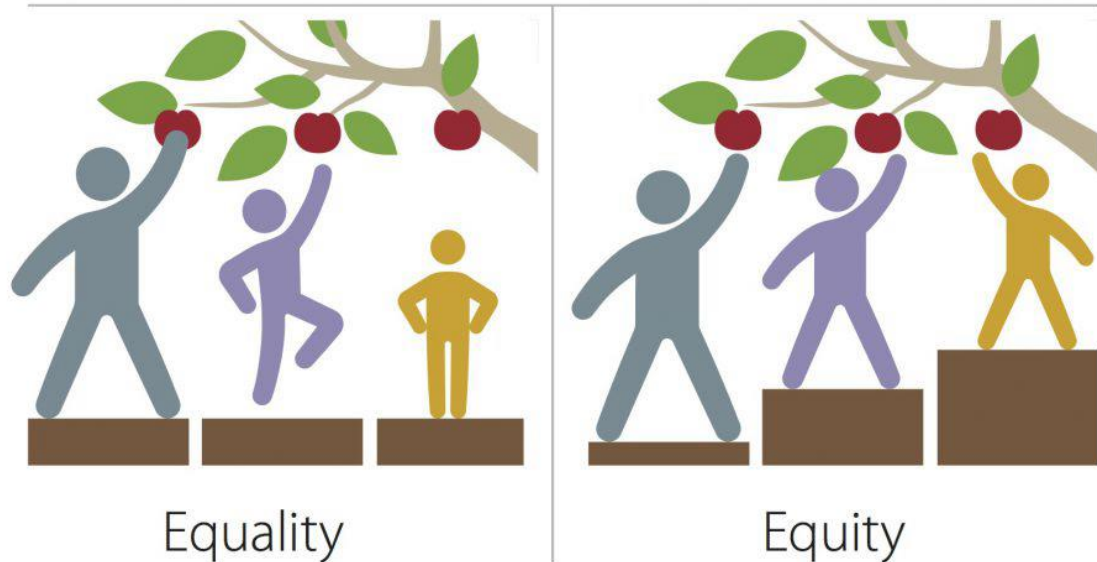


**Equity is about fairness.** In the right-hand picture, resources are allocated equitably in varying amounts in order to provide equality of opportunity.

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.

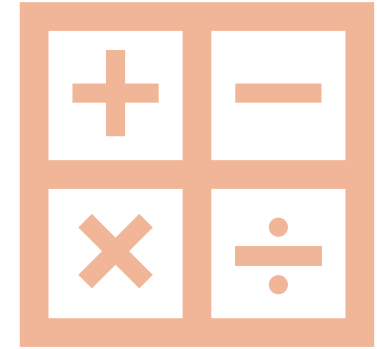
# Equality vs. Equity



Montana's funding formula takes both kinds of need into consideration in order 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 Funding Formula

---



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.*





# 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; <b>property poor</b> districts were spending less (and often levying more mills)	HB 28 (1989 special session)	<ul style="list-style-type: none"> <li>Increased state share</li> <li><b>Created GTB payments</b></li> <li><b>Created statewide equalization property tax levy of 40 mills; increased existing county equalization mills to 55 mills (new total = 95 mills)</b></li> </ul>
1992	Lawsuits filed contending HB 28 had not fixed disparities		HB 667 (1993)	<ul style="list-style-type: none"> <li>Eliminated existing Foundation Program</li> <li>Created new formula with BASE (minimum) and maximum budgets, basic and per-ANB entitlements</li> <li><b>GTB for debt service</b></li> </ul>
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"> <li><b>(Annual inflationary adjustments to BE and per-ANB were added in 2003 during litigation)</b></li> <li>Defined basic system</li> <li>Created Quality Schools Interim Committee (QSIC)</li> <li>Created 4 new fully state-funded payments: QE; at-risk, IEFA, American Indian Achievement Gap</li> </ul>
2008	Columbia Falls v. State II	Legislature has made good faith effort to address concerns regarding adequacy	Various	<ul style="list-style-type: none"> <li><b>Increased GTB ratio; provided funding for facilities</b></li> </ul>

# K-12 Revenue

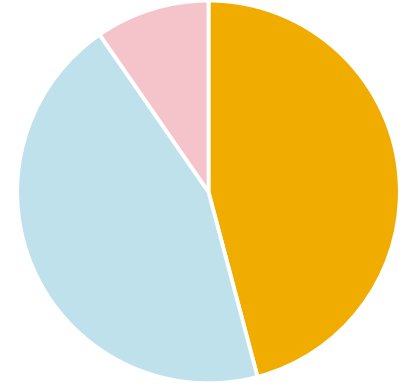
---



- Revenue for K-12 education in Montana comes from three main sources
  - The state of Montana
  - The federal government
  - Local governments (counties & school districts)

# K-12 Revenue – State

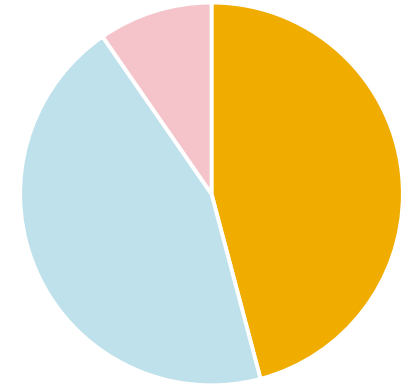
---



- Approximately **45.9% of K-12 revenue comes from state** (as of FY 2020) and is distributed to school districts by the Office of Public Instruction (OPI), based largely on enrollment in each district (Average Number Belonging or ANB).

# K-12 Revenue – State

---

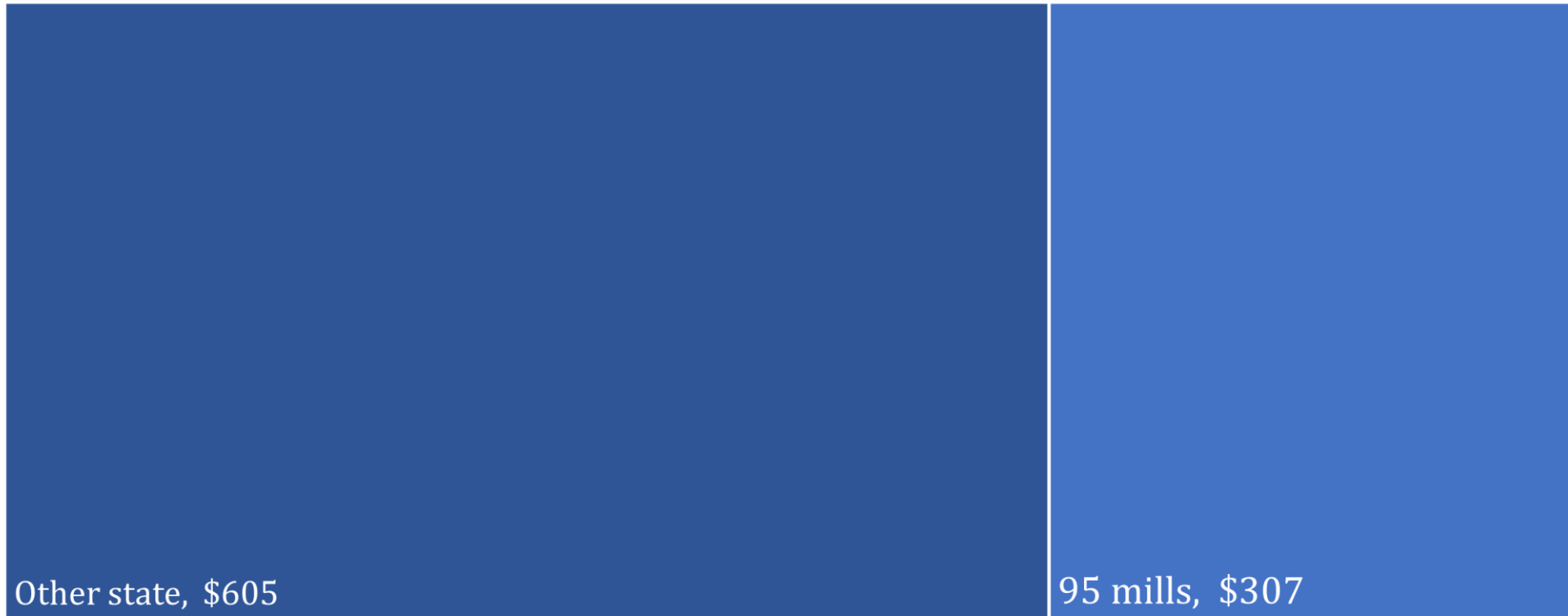
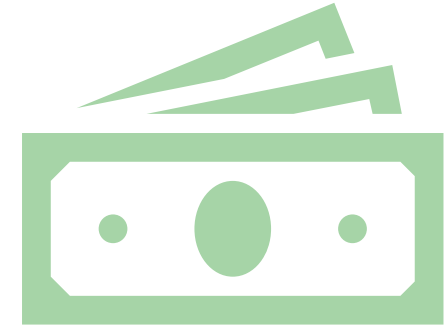


**State general fund revenue**— approximately \$310 million from the 95 mill property tax levy and another approximately \$520 million in state general fund in FY 2020

**Retirement funding**—\$50.0 million annually from the state general fund directly to the teachers retirement system (TRS) and public employees retirement system (PERS), and approximately \$40.0 million annually to counties as part of guaranteed tax base (GTB) aid to support eligible counties in funding school district retirement budgets.

- See the [School District Retirement Fund Story Map](#) for more information on school retirement

# Property taxes do not support the full amount of state K-12 funding

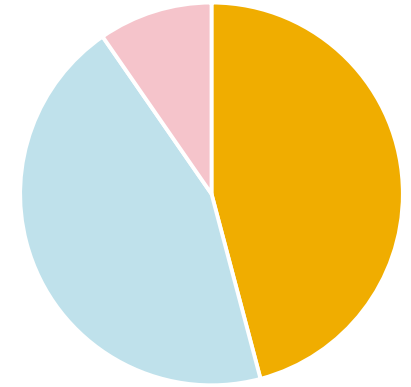


\$ in millions; includes non-levy revenue FY 2020

Data source: SABHRS

# K-12 Revenue – State

---



**State general fund revenue**— approximately \$310 million from the 95 mill property tax levy and another approximately \$520 million in state general fund in FY 2020

**Retirement funding**—\$50.0 million annually from the state general fund directly to the teachers retirement system (TRS) and public employees retirement system (PERS), and approximately \$40.0 million annually to counties as part of guaranteed tax base (GTB) aid to support eligible counties in funding school district retirement budgets.

- See the [School District Retirement Fund Story Map](#) for more information on school retirement

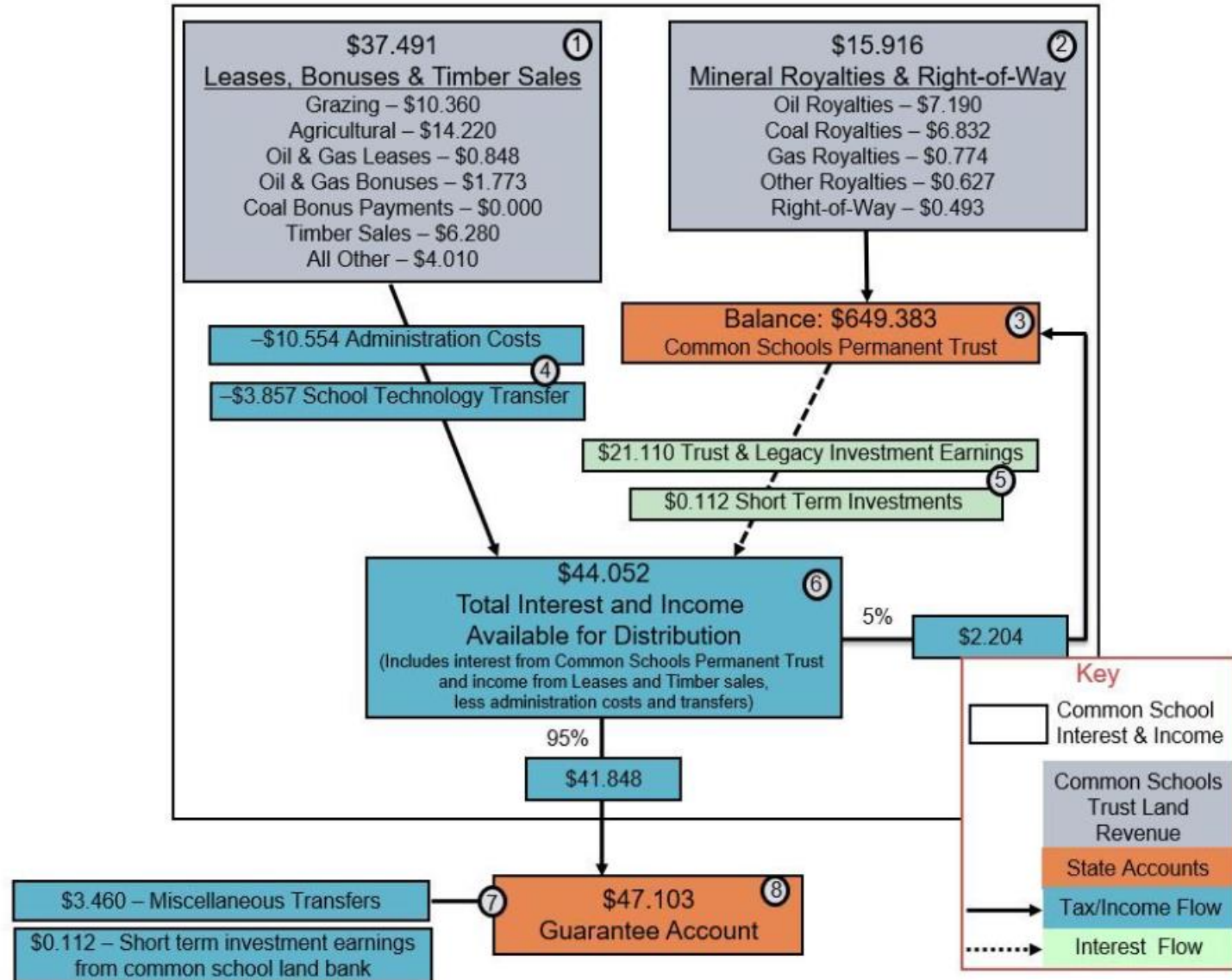
**The guarantee account**— this state special revenue account receives earnings off of the Common School Permanent Trust and revenue generated on the state common school trust lands. When more revenue is available in the guarantee account, less state general fund is required, and vice versa. The guarantee account receives approximately \$50.0 million each year, but the amount can vary

- See the [Guarantee Account Brochure](#) for more information on the guarantee account

# The Guarantee Account

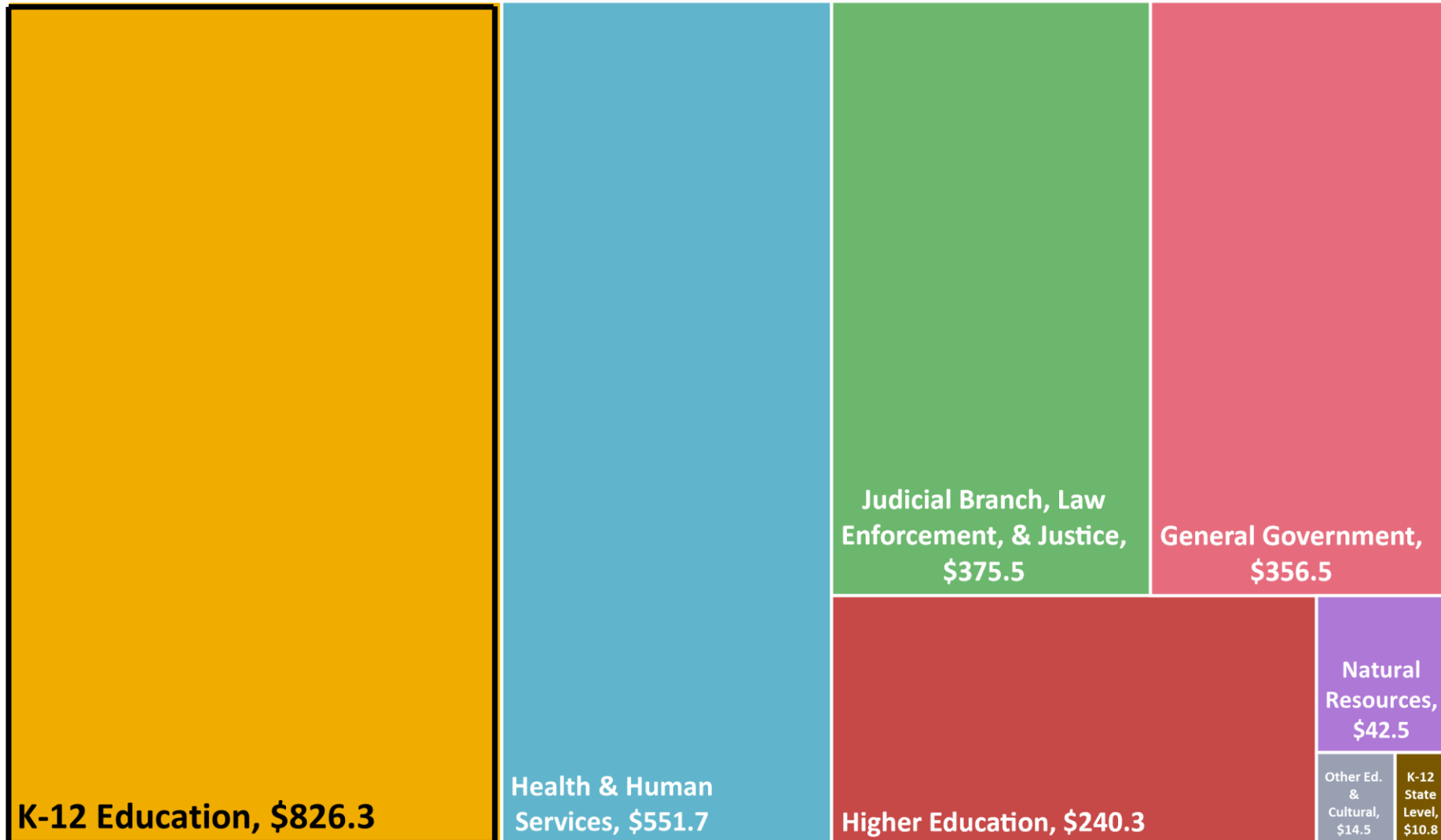


## Guarantee Account Provides Roughly \$50 Million FY 2018 Collections (\$ Millions)



# School funding is the largest appropriation from the state general fund

FY 2020 Appropriations - \$2,418.2 million  
(\$ in millions)

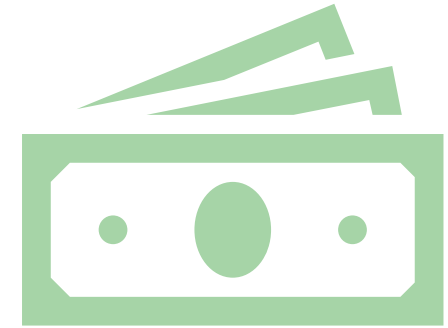


Data source: SABHRS



# State General Fund Revenues

---



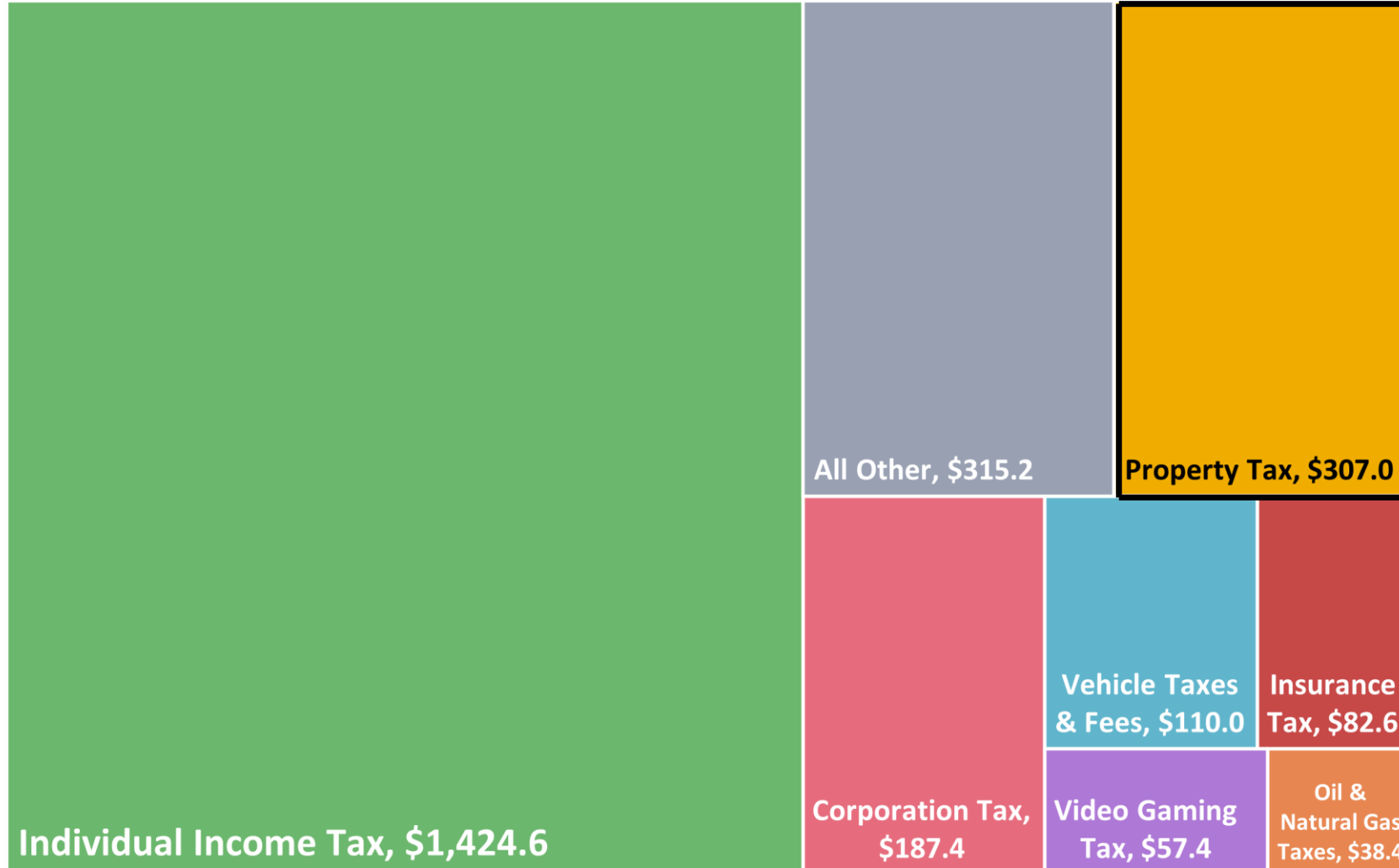
Property taxes (largely the 95 mills all taxpayers pay for education) generated close to \$307.0 million in FY 2020, but the state general fund sent approximately \$912.0 million for K-12 education in FY 2020.

➤ See the [Property Taxes in Montana Story Map](#) for more information.

The state general fund receives revenue through a variety of taxes, with individual income tax being the largest source.

# Where does state general fund come from?

FY 2020 Total - \$2,522.5 million  
(\$ in millions)



Data source: SABHRS

# How Property Taxes are Calculated

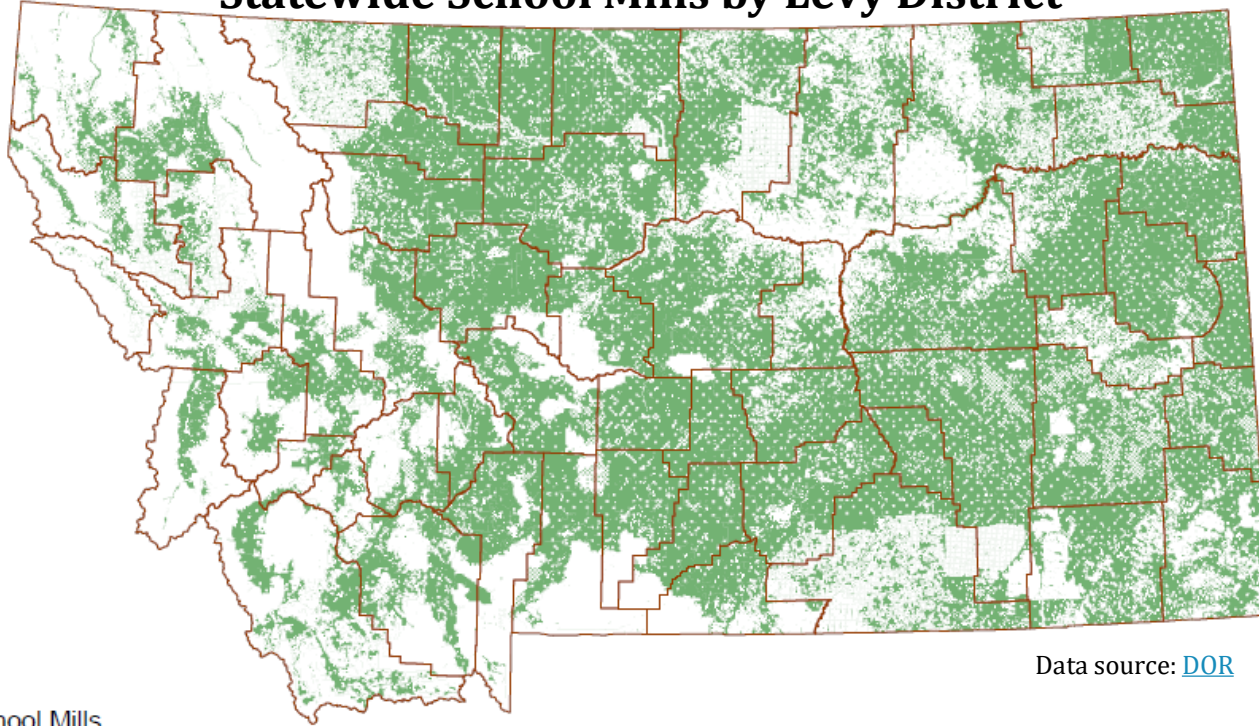
➤ Property Taxes Paid = Market Value × Tax Rate × Total Mills

For example, a home with \$300,000 value at 95 mills:

- Taxable Value = Market Value × Tax Rate = \$300,000 × 1.35% = \$4,050
- Value of One Mill = Taxable Value ×  $\frac{1}{1000}$  = \$4,050 ×  $\frac{1}{1000}$  = \$4.05
- Property Tax Bill = Value of 1 Mill × # of Mills = \$4.05 × 95 = \$384.75



## Statewide School Mills by Levy District



Data source: [DOR](#)

State School Mills

95.0

# Property Tax Levies – State



Mills levied for schools include the state levy, county-wide school mill levies, required school district mill levies, voted school mill levies, and permissive (non-voted) school mill levies.

The state levies 95 mills on all property in Montana, which go to the state general fund for K-12 school funding

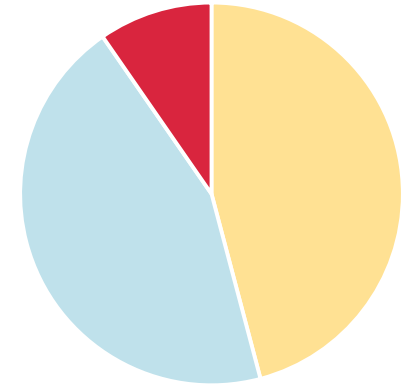
- This state-wide levy is made up of a county equalization levy of 55 mills and a state equalization levy of 40 mills

# K-12 Revenue – Federal

---



- Approximately **9.6% of K-12 revenue comes from the federal government** (as of FY 2020). Federal revenue for education comes from four main programs.



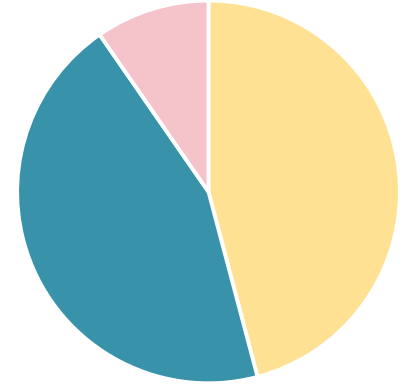
# K-12 Revenue – Federal

---

- **Impact Aid Funding**— federal funding for federally-connected children whose families live or work on nontaxable federal land (tribal land, forest land, national parks, military bases, etc.); totaled \$71.3 million in FY 2020
- **School Food Funding**— federal funding for school lunches from the U.S. Department of Agriculture (USDA); totaled \$41.6 million in FY 2020
- **Individuals with Disabilities Education Act (IDEA) Funding**— federal funding for the education of children with disabilities; totaled \$35.7 million in FY 2020
- **Title I Funding**— federal funding for schools with high percentages of low-income students; totaled \$55.7 million in FY 2020

# K-12 Revenue – Local

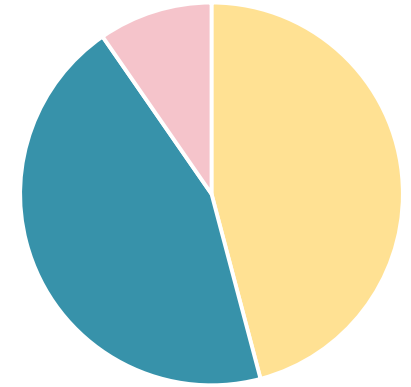
---



Approximately **44.5%** of K-12 revenue comes from **local governments** (as of FY 2020).

# K-12 Revenue – Local

---



- **Local property tax levies**— including required levies, voted mills, and permissive (non-voted) levies by the school districts and counties. All county taxpayers also support county-wide school retirement costs and certain transportation costs through permissive county-wide levies
- **Local non-levy revenue (NLR)**— NLR includes certain natural resource revenues and tuition payments
- **Fund balance re-appropriated**— the difference between the end-of-year fund balance and the amount reserved for operations. It must be used to fund the next year’s budget. The maximum amount of fund balance that may be re-appropriated to the general fund budget is limited to 15.0% of the ensuing year’s maximum general fund budget



# Property Tax Levies – Local

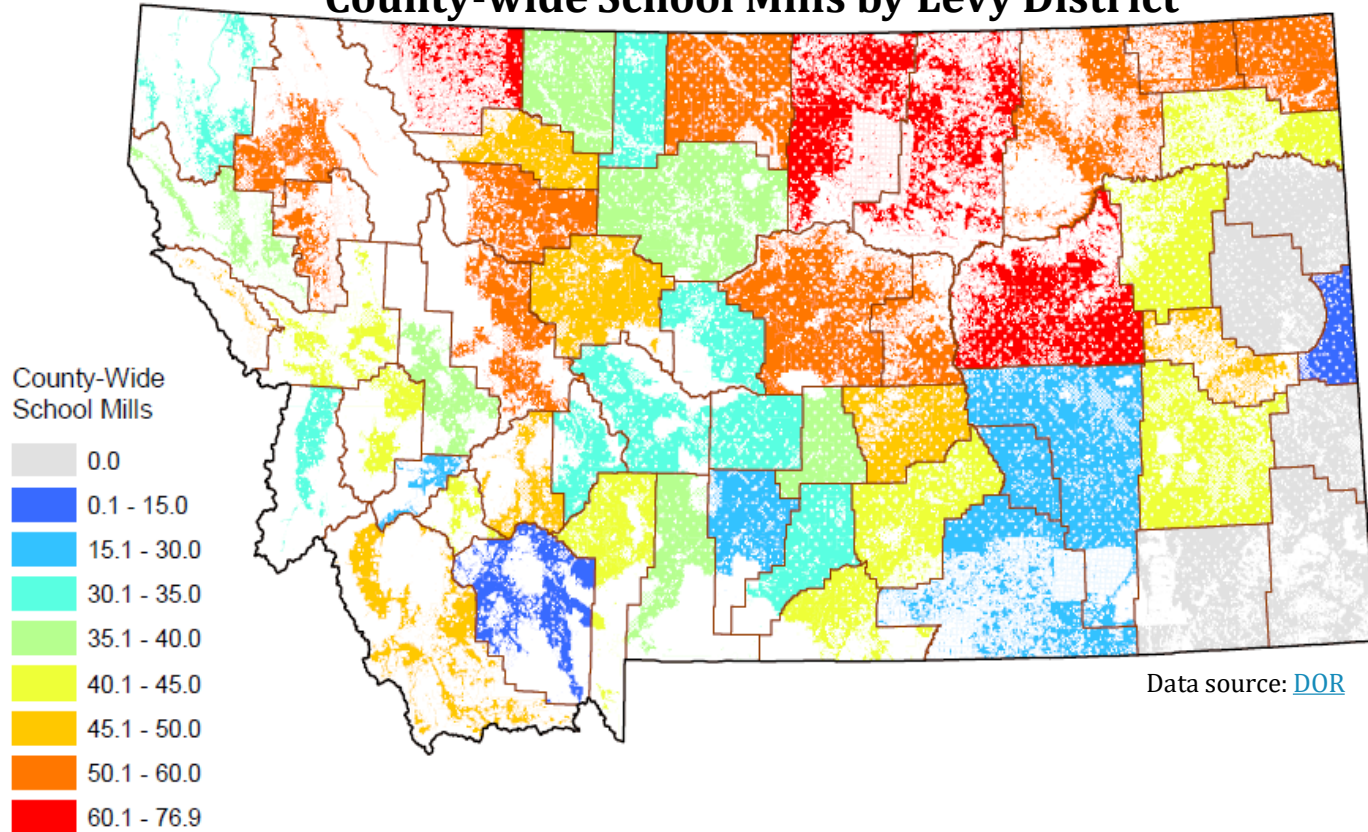
---



Mills levied for schools include the state levy, county-wide school mill levies, required school district mill levies, voted school mill levies, and permissive (non-voted) school mill levies.

- Each county and school district levies a certain number of mills to fund K-12 education within their district

## County-wide School Mills by Levy District



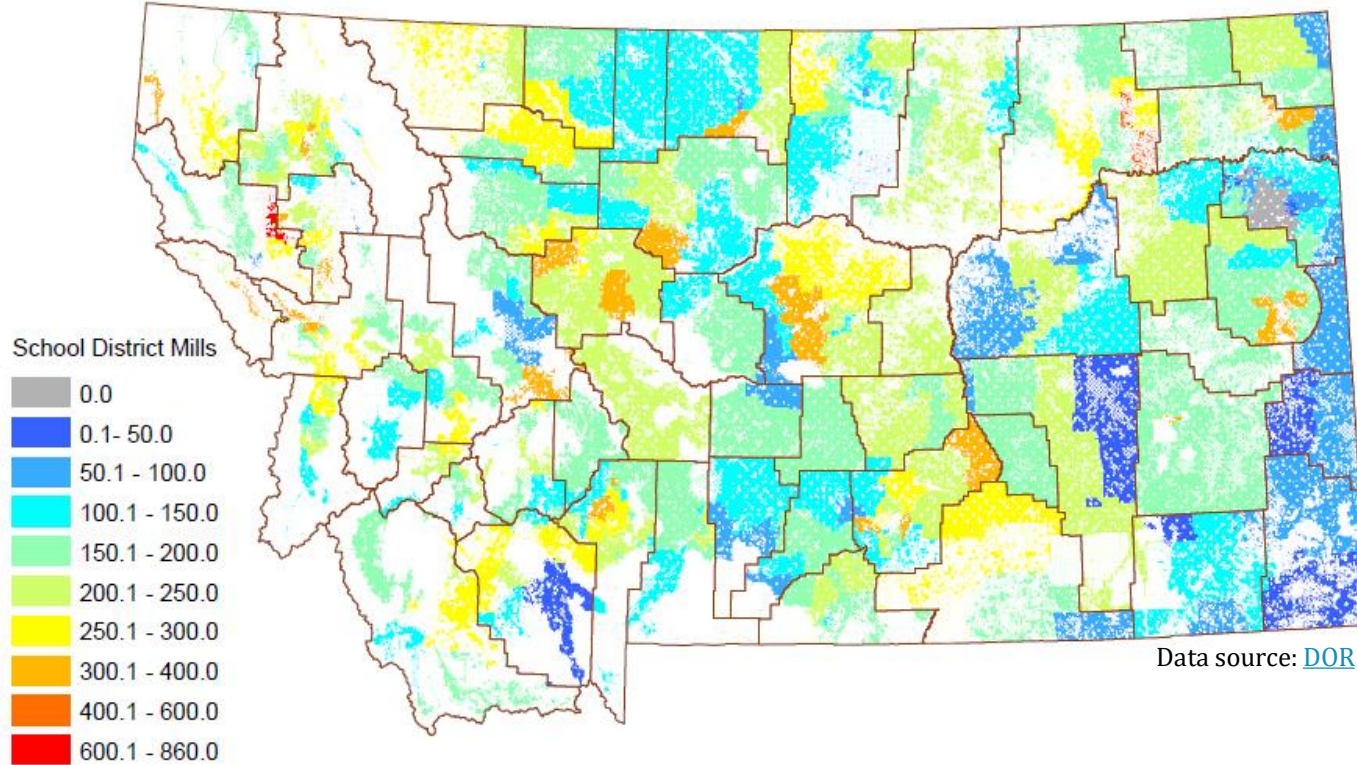
Mills levied for schools include the state levy, county-wide school mill levies, required school district mill levies, voted school mill levies, and permissive (non-voted) school mill levies.

- All county taxpayers support county-wide school retirement costs and a portion of transportation costs through county-wide school levies

# Property Tax Levies – Local County-wide School Mills



## Combined Elementary & High School Mills by Levy District



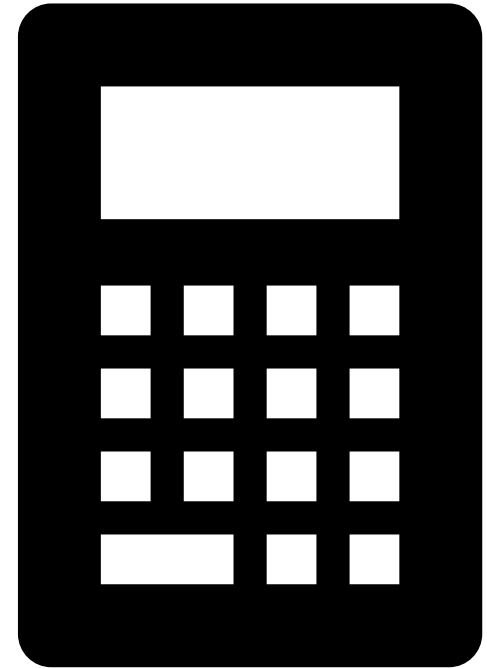
Mills levied for schools include the state levy, county-wide school mill levies, required school district mill levies, voted school mill levies, and permissive (non-voted) school mill levies.

- Most school district mills are levied for the school district general fund, but each district also has funds for specific purposes

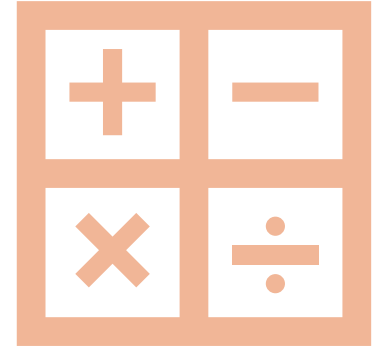
## Property Tax Levies – Local School Districts



# School Budgeting



# The state distributes funding to school districts



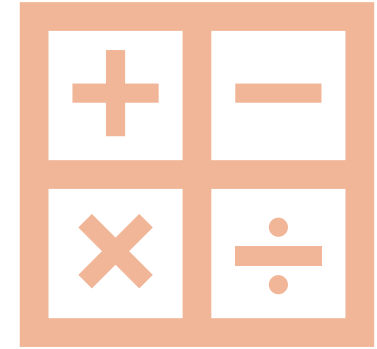
---

The Office of Public Instruction distributes state and federal funding to districts over the course of the year, using the school funding formula.

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

- See the [K-12 Funding in Montana - Big Picture Overview Story Map](#), Tab 9 for an interactive map of ANB.

# School Funding Formula

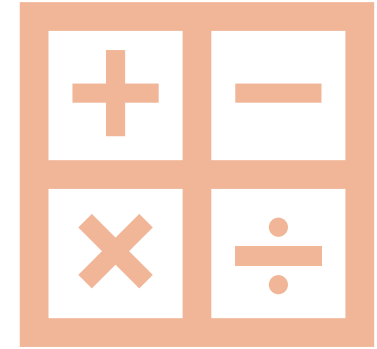


Each school district in Montana establishes a minimum **Basic Amount for School Equity (BASE) budget** and a maximum (MAX) budget, based on percentages of certain school funding components.

The **five fully state-funded components** are:

1. **Quality Educator Payments**— a per-FTE payment for teachers and other licensed professionals
2. **At-Risk Payments**— a payment to schools to address at-risk students
3. **Indian Education for All Payments**— a per-ANB payment to fund the constitutionally required education regarding the cultural heritage of American Indians
4. **American Indian Achievement Gap Payments**— a per-American Indian student payment to help close the performance gap that exists between American Indian students and non-Indian students
5. **Data for Achievement Payments**— a per-ANB payment used by school districts to pay for costs related to student data systems

# School Funding Formula



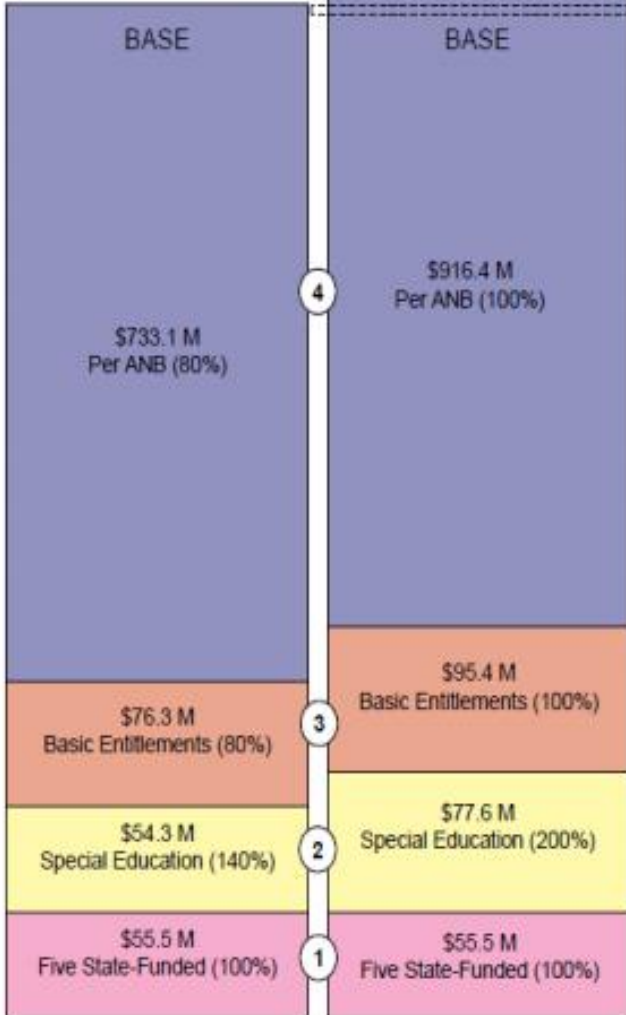
Each school district in Montana establishes a minimum **Basic Amount for School Equity (BASE) budget** and a maximum (MAX) budget, based on percentages of certain school funding components.

Other components (aside from the five fully state-funded) are:

- **Special Education Payments**— a per-ANB payment, regardless of the number of special education students
- See the [Montana Special Education Funding Basics Story Map](#) for more information on special education
- **Direct State Aid**
  - **Basic Entitlements**— a per-district payment, based on whether it is an elementary district, middle school district, or high school district
  - **Per-ANB Entitlements**—a per-ANB payment based on the count of students attending school in the district
- **Guaranteed tax base (GTB) funding**— GTB payments help equalize differences in revenue generating capacity between school districts with different property tax bases

**FY 2018  
Statewide District  
General Fund Budget**

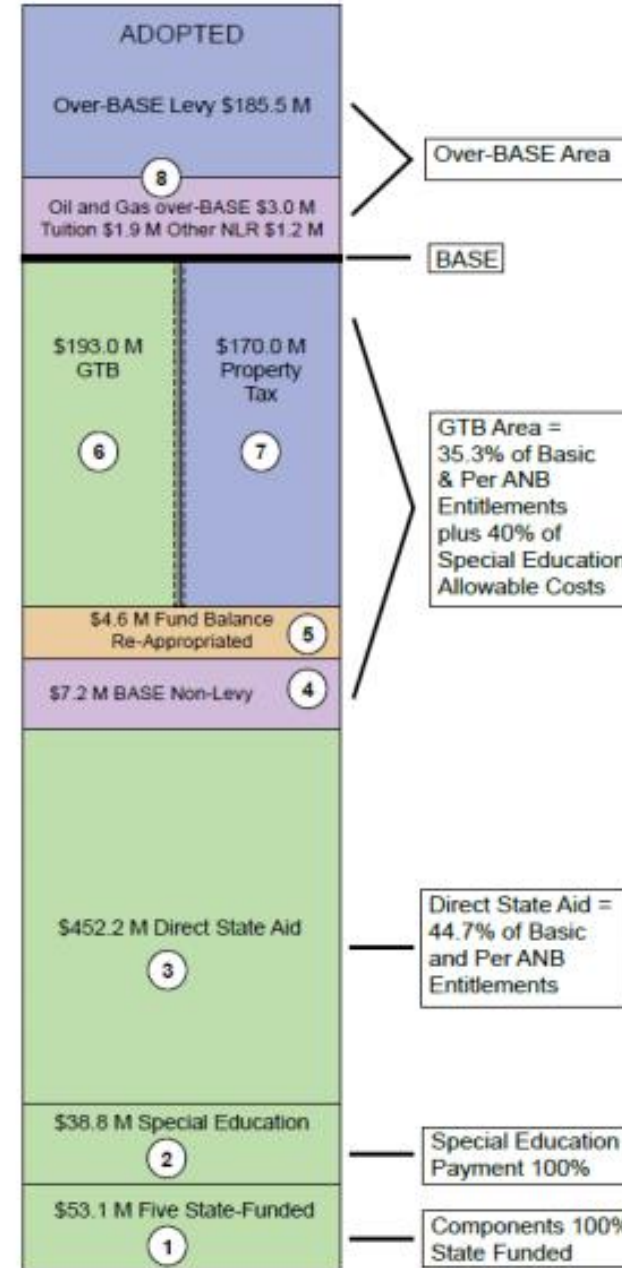
Total BASE Budget \$920.3 M  
About 80% of Max Budget



**District General Fund**  
The largest school district fund is the general fund. Statewide districts adopted general fund budgets of \$1.1 billion and received \$750 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 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 constitutionally required education regarding the cultural heritage of the American Indians.
  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

**FY 2018  
Adopted budget \$1,112.9 M  
About 97% of Max Budget**



**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



# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.

# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.

# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.
3. Each district adopts a district general fund budget of at least BASE, and with some exceptions, no more than MAX. The BASE portion of the adopted budget is funded first with 100.0% of the five fully state-funded components, 100.0% of the special education allowable costs payment, 44.7% of the basic entitlements, and 44.7% of the per-ANB payment.

# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.
3. Each district adopts a district general fund budget of at least BASE, and with some exceptions, no more than MAX. The BASE portion of the adopted budget is funded first with 100.0% of the five fully state-funded components, 100.0% of the special education allowable costs payment, 44.7% of the basic entitlements, and 44.7% of the per-ANB payment.
4. The remaining portion of the BASE budget (40.0% of the special education allowable costs payment, 35.3% of the basic entitlements, and 35.3 % of the per-ANB payment) is funded with a combination of non-levy revenue, fund balance re-appropriated, and local property tax required levies.

# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.
3. Each district adopts a district general fund budget of at least BASE, and with some exceptions, no more than MAX. The BASE portion of the adopted budget is funded first with 100.0% of the five fully state-funded components, 100.0% of the special education allowable costs payment, 44.7% of the basic entitlements, and 44.7% of the per-ANB payment.
4. The remaining portion of the BASE budget (40.0% of the special education allowable costs payment, 35.3% of the basic entitlements, and 35.3 % of the per-ANB payment) is funded with a combination of non-levy revenue, fund balance re-appropriated, and local property tax required levies.
5. If the remaining portion of the BASE budget is still not met, a district may qualify for GTB aid. GTB provides a per-mill subsidy that brings a district's revenue-generating capacity (as a ratio of property wealth/mill value to funding need) up to a statewide guarantee.

# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.
3. Each district adopts a district general fund budget of at least BASE, and with some exceptions, no more than MAX. The BASE portion of the adopted budget is funded first with 100.0% of the five fully state-funded components, 100.0% of the special education allowable costs payment, 44.7% of the basic entitlements, and 44.7% of the per-ANB payment.
4. The remaining portion of the BASE budget (40.0% of the special education allowable costs payment, 35.3% of the basic entitlements, and 35.3 % of the per-ANB payment) is funded with a combination of non-levy revenue, fund balance re-appropriated, and local property tax required levies.
5. If the remaining portion of the BASE budget is still not met, a district may qualify for GTB aid. GTB provides a per-mill subsidy that brings a district's revenue-generating capacity (as a ratio of property wealth/mill value to funding need) up to a statewide guarantee.
6. Local school district trustees determine the final adopted budget between BASE and MAX, and the school funding formula dictates how that budget is funded.

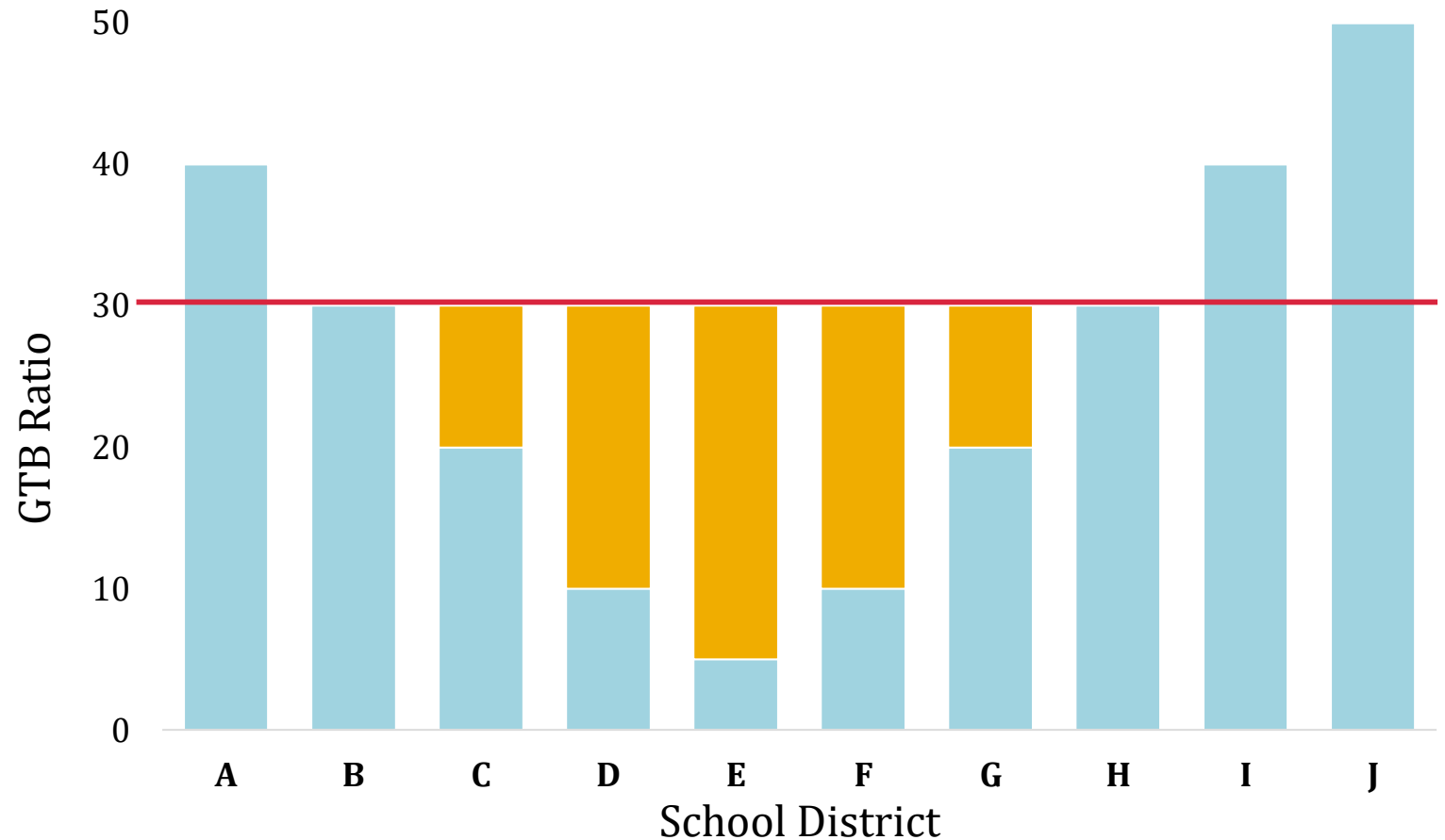
# Process for Establishing a Budget

1. The BASE budget is calculated as 100.0% of the five fully state-funded components, 140.0% of the special education allowable costs payment, 80.0% of basic entitlement payments, and 80.0% of per-ANB payments.
2. The MAX budget is calculated as 100.0% of the five fully state-funded components, 200.0% of the special education allowable costs payment, 100.0% of basic entitlement payments, and 100.0% of per-ANB payments.
3. Each district adopts a district general fund budget of at least BASE, and with some exceptions, no more than MAX. The BASE portion of the adopted budget is funded first with 100.0% of the five fully state-funded components, 100.0% of the special education allowable costs payment, 44.7% of the basic entitlements, and 44.7% of the per-ANB payment.
4. The remaining portion of the BASE budget (40.0% of the special education allowable costs payment, 35.3% of the basic entitlements, and 35.3 % of the per-ANB payment) is funded with a combination of non-levy revenue, fund balance re-appropriated, and local property tax required levies.
5. If the remaining portion of the BASE budget is still not met, a district may qualify for GTB aid. GTB provides a per-mill subsidy that brings a district's revenue-generating capacity (as a ratio of property wealth/mill value to funding need) up to a statewide guarantee.
6. Local school district trustees determine the final adopted budget between BASE and MAX, and the school funding formula dictates how that budget is funded.
7. There are exceptions that allow school districts to adopt over-MAX budgets.



# 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).



# School District Funds

---



## **Districts account for revenues and expenditures in various funds**

A district's finances are accounted for in numerous district-level funds which are funded by varying blends of state, local (including county), and federal dollars. These district funds are either budgeted or non-budgeted.

Budgeted funds are funded in whole or in part by local property tax levies which can be either voted, permissive (non-voted), or required. Requiring trustees to adopt a budget when local dollars are in play increases transparency and accountability.

# School levies are set in different ways



## Required

- District general fund BASE mills
- County school mills for retirement and transportation

## Allowed/Permissive

- Bus depreciation
- Transportation
- Adult Ed
- Building reserve\*

## Voted

- School district general fund above BASE mills
- Debt service
- Building reserve\*
- Flexibility
- Technology

\* Building reserve fund has some allowed and some voted levies



# School District Funds

---

- **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
  - See the [School District General Fund Story Map](#) for more information on the district general fund
- **Transportation Fund** – used for to-and-from school transportation costs including buses, fuel, and drivers (not for extracurricular activities or field trips)
  - See the [School District Transportation Fund Story Map](#) for more information on the district transportation fund

# School District Funds

---



- **Bus Depreciation Fund** – used to accumulate funds for bus replacement and additional school buses. The amount budgeted may not, over time, exceed 150.0% of the original cost of a bus or communication systems and safety devices installed on the bus
- **Tuition Fund** – used in limited cases to pay tuition for a student who attends school outside the student's district of residence. Students may be attending under mandatory or discretionary agreements paid by the resident school district. The use of this fund has increased since FY 2013, after the passage of SB 191 in the 2013 legislative session allowed districts to levy mills to pay for the cost of implementing a resident special education student's Individualized Education Program (IEP)

# School District Funds

---



- **Adult Education Fund** – used for basic and secondary general education and vocational or technical education for individuals 16 years of age or older who are not regularly enrolled, full-time students
- **Technology Fund** – used for the purchase, rental, repair and maintenance of technology equipment, and associated technical training for school district personnel
- **Flexibility Fund** – used for technology, facility expansion, student assessment and evaluation, curriculum development, and certain other types of expenditures

# School District Funds

---



- **Debt Service Fund** – used to service (pay off) the debt the district has incurred from issuing (selling) bonds, typically for construction
- See the [School District Debt Service Fund Story Map](#) for more information on the district transportation fund
- **Building Reserve Fund** – used for school major maintenance projects. A district may budget \$15,000 (\$30,000 for a K-12 district) plus \$100 per ANB for the prior fiscal year. This is referred to as the SMMA (State Major Maintenance Amount). In addition to this amount, local effort revenues for the school major maintenance amount may consist of permissive levies not to exceed 10 mills (or 20 mills for K-12 district), deposits, and transfers

# School District Funds

---



- **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

\*School districts employ members of both systems

School retirement costs are pooled at the county level. All county taxpayers support county-wide school retirement costs through a countywide levy; there is no *district* levy for retirement.

- See the [School District Retirement Fund Story Map](#) for more information on the retirement fund

# School District Funds

For FY 2020



Data source: [OPI](#)

## Transportation Fund

0 – 17 county mills  
0 – 94 district mills  
\$89 million total  
\$11 million state support  
\$11 million county



## Bus Depreciation Fund

0 – 86\* mills  
\$62 million total  
< \$0.1 million state support  
\*Excludes outliers



## Tuition Fund

0 – 48 mills  
\$28 million total  
\$0 state support



## Adult Education Fund

0 – 10 mills  
\$12 million total  
\$0 state support



## School District General Fund

0 – 65 BASE mills  
0 – 167 over-BASE mills  
\$1,142 million



\$791 million state support  
(BASE only)

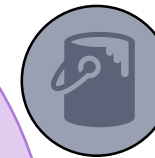
## Technology Fund

0 – 20 mills  
\$32 million total  
\$1 million state support



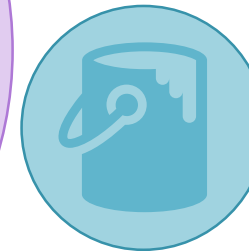
## Flexibility Fund

0 – 7 mills  
\$48 million total  
\$1 million state support



## Debt Service Fund

0 – 176 mills  
\$127 million total  
< \$0.1 million state support



## Building Reserve Fund

0 – 66 mills  
\$92 million total  
\$6 million state support





# School District Funds

For FY 2020



Data source: [OPI](#)

## Transportation Fund

0 – 17 county mills  
0 – 94 district mills  
\$89 million total  
\$11 million state support  
\$11 million county



## Technology Fund

0 – 20 mills  
\$32 million total  
\$1 million state support



## Flexibility Fund

0 – 7 mills  
\$48 million total  
\$1 million state support



## Bus Depreciation Fund

0 – 86\* mills  
\$62 million total  
< \$0.1 million state support  
\*Excludes outliers



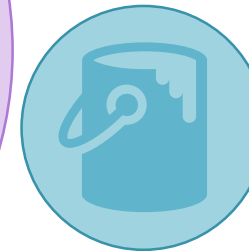
School District  
General Fund  
0 – 65 BASE mills  
0 – 167 over-BASE mills  
\$1,142 million



\$791 million state support  
(BASE only)

## Debt Service Fund

0 – 176 mills  
\$127 million total  
< \$0.1 million state support



## Building Reserve Fund

0 – 66 mills  
\$92 million total  
\$6 million state support



## Tuition Fund

0 – 48 mills  
\$28 million total  
\$0 state support



## Adult Education Fund

0 – 10 mills  
\$12 million total  
\$0 state support



## Retirement Fund

0 – 86 county mills  
0 district mills  
\$181 million total  
\$40 million state support  
\$161 million county





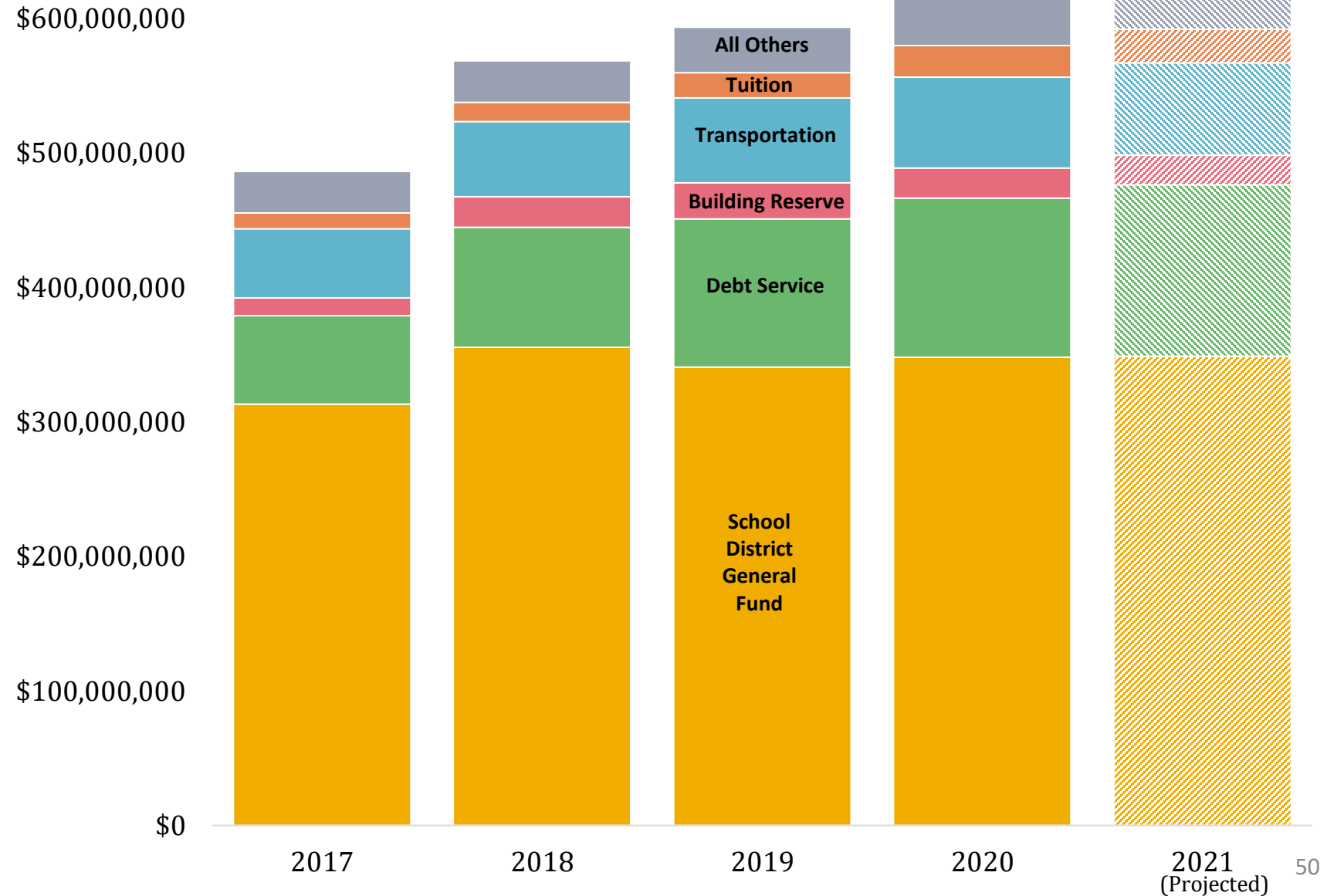
# School District Funds

This table does not include:

- The statewide 95 mills for K-12
- The county-wide retirement & transportation levies

*All others* includes levies for bus depreciation, adult education, non-operating districts, technology, and flexibility.

Data source: [GEMS](#)



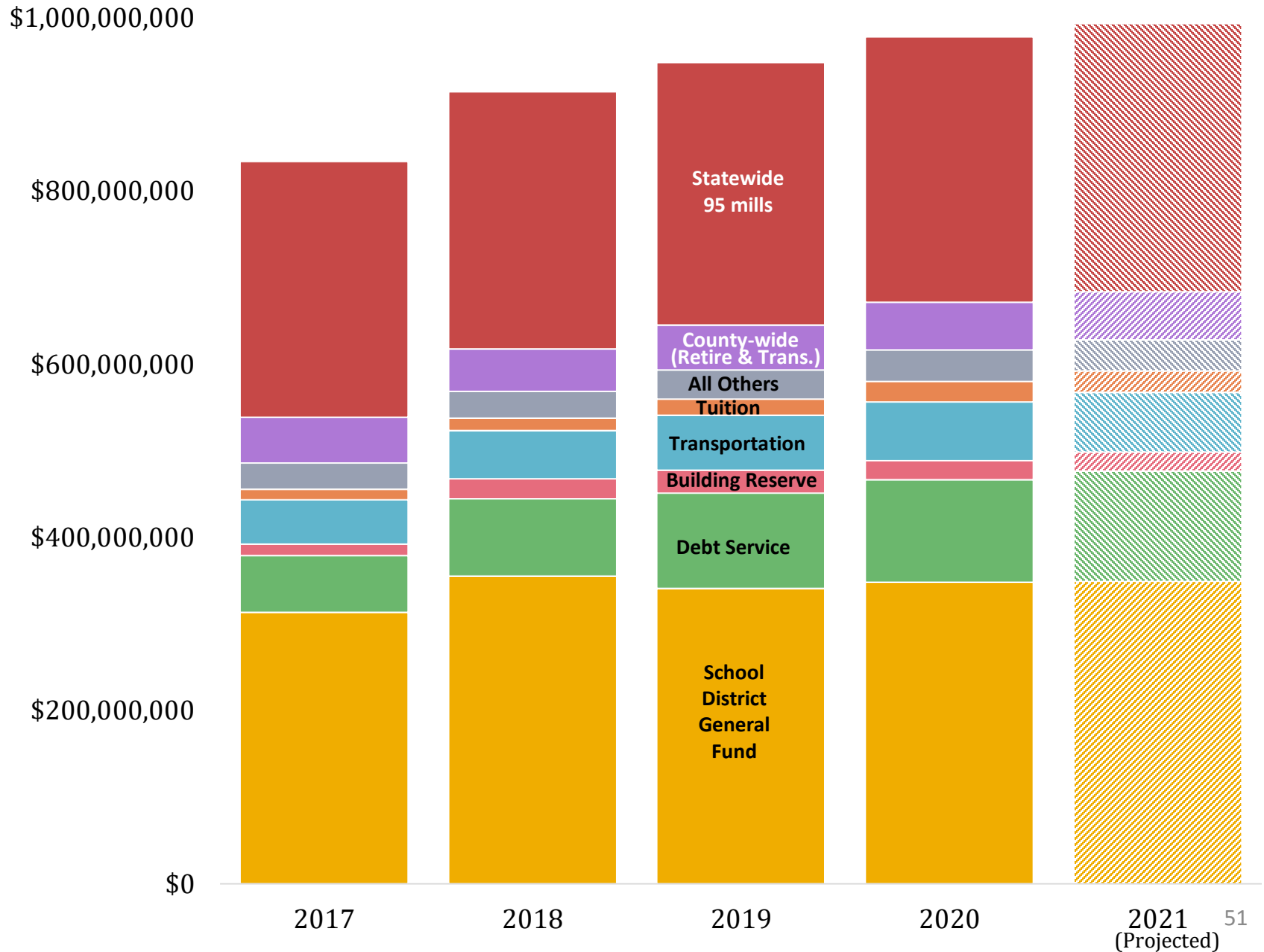


# School Funds - ALL

This graphic includes school funding from the state, counties, & school districts.

*All others* includes school district levies for bus depreciation, adult education, non-operating districts, technology, and flexibility.

Data sources: [GEMS](#), [OPI](#), [DOR](#)



# School District Funds

---



- Districts account for revenues and expenditures in various funds

Budgeted funds are funded in whole or in part by local property tax levies which can be either voted, permissive (non-voted), or required. Requiring trustees to adopt a budget when local dollars are in play increases transparency and accountability.

Nearly all state and local dollars are accounted for in budgeted funds; with nonbudgeted funds being made up largely of federal money.

# Office of Public Instruction

---



The Office of Public Instruction (OPI) has two programs:

- State Level Activities
  - provides leadership and coordination of services to a variety of school and public groups
  - supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
  - is responsible for the distribution and accounting of state and federal funds provided to school districts
  - maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
  - provides assistance and information to school districts
  - administers all federal grants received by OPI, including curriculum assistance, special education, Elementary and Secondary Education Act (ESEA) administration, secondary vocational education administration, and other educational services
  
- Local Education Activities
  - used by OPI to distribute state and federal funds to local education agencies

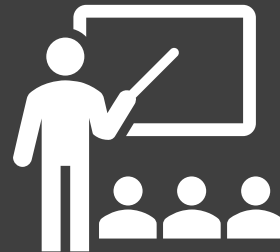
State Level Activities Summary by Purpose  
Proposed **General Fund** Budget

General Fund Only	Proposed Budget 2023 Biennium
Superintendent's Office	2,394,643
Accreditation	795,078
Assessment	127,296
Audiology	1,069,294
Career Technical & Adult Education	785,953
Content Standards & Instruction	858,451
Health Enhancement & Safety	174,022
Indian Education For All	1,350,958
Information Data & Technology	7,756,962
Legal Services	1,135,542
Montana Digital Academy	3,969,895
State Distribution To Schools	1,809,759
Student Support Services	252,885
<b>Total General Fund</b>	<b>\$22,480,738</b>

State Level Activities Summary by Purpose  
Proposed **State Special Revenue** Budget

State Special Revenue Only	Proposed Budget 2023 Biennium
School Lunch Program	142,388
Educational Improvement	2,500
Traffic & Safety Education	432,947
<b>Total State Special Revenue</b>	<b>\$577,835</b>

These numbers include \$575,335 from HB 2 and  
\$2,500 in statutory appropriations



State Level Activities Summary by Purpose  
Proposed **Federal Special Revenue** Budget

Federal Special Revenue Only	Proposed Budget 2023 Biennium
Adult Basic Education	697,307
Assessment	8,647,151
Carl Perkins	1,282,506
Education of Homeless Children	133,282
FNS Administrative Review and Training	168,815
IDEA Part B	9,881,545
IDEA Part D	238,208
NAEP/NCES BASICS/NEA	255,492
NASA/NESSP	45,264
Migrant Incentive	1,886,798
School Nutrition Programs	3,830,900
Title I Part A	867,559
Title I Migrant Education	3,589,008
Title I Grants to Local Education Agencies	355,026
Title I School Improvement Grants 1003G	517,604
Title II Part A Teacher	1,005,439
Title II Part B Math Science	-
Title III English Language	294,593
Title IV Part B 21st Century	1,354,489
Title VI Rural Low Income	41,357
Veterans Education	147,067
YRBS & School Health Profiles	211,812
Budget Amendments	-
<b>Total Federal Special Revenue</b>	<b>\$35,451,222</b>

# Office of Public Instruction State Level Activities Budget Submission

Local Education Activities Summary by Purpose  
Proposed **General Fund** Budget

<b>General Fund Only</b>	Proposed Budget <u>2023 Biennium</u>
K-12 BASE Aid	1,617,094,810
Adult Basic Education	1,050,000
Advanced Opportunities	4,238,091
Advancing Ag Ed	303,920
At Risk Students	11,637,769
BEO	200,000
Coal MT	3,386,548
Career and Technical Education - Match CSTO	1,106,000
Career and Technical Education - State Match	3,000,000
Gifted And Talented	700,000
Indian Language Immersion	96,940
In-State Treatment	1,575,602
National Board Certification	175,000
Recruitment and Retention	1,000,000
School Food	1,327,724
Special Education Distribution	89,405,760
School Major Maintenance	15,188,000
State Tuition Payments	961,150
TEACH Act	2,492,048
Transformational Learning	4,293,686
Transportation Aid	23,997,104
<b>Total General Fund</b>	<b>\$1,783,230,152</b>

Local Education Activities Summary by Purpose  
Proposed **State Special Revenue** Budget

<b>State Special Revenue Only</b>	Proposed Budget <u>2023 Biennium</u>
Guarantee Account	84,797,707
Educational Improvement	47,500
School Major Maintenance	4,812,000
Traffic Education Flow-through	1,500,000
Debt Service Assistance	7,000,000
<b>Total State Special Revenue</b>	<b>\$98,157,207</b>

These numbers include \$11,312,000 from HB 2  
and \$86,845,207 in statutory appropriations

Local Education Activities Summary by Purpose  
Proposed **Federal Special Revenue** Budget

<b>Federal Special Revenue Only</b>	Proposed Budget <u>2023 Biennium</u>
Adult Basic Education	2,177,384
Carl Perkins	5,737,336
Education of Homeless Children	446,210
IDEA Part B	72,707,720
IDEA Part D	102,812
IDEA Preschool	2,296,552
Migrant Incentive	129,476
School Nutrition Programs	90,650,394
Title I Grants to Local Education Agencies	95,117,674
Title I Migrant Education	2,455,550
Title I Neglected & Delinquent	138,700
Title I School Improvement Grants 1003G	381,868
Title II Part A Teacher	17,897,464
Title II Part B Math Science	120,304
Title III English Language	762,576
Title IV Part B 21st Century	19,255,968
Title VI Rural Low Income	1,092,794
Budget Amendments	-
<b>Total Federal Special Revenue</b>	<b>\$311,470,782</b>



**Office of Public Instruction  
Local Education Activities  
Budget Submission**

Questions?





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

## Legislative staff:

- Julia Pattin – Legislative Fiscal Division
- Pad McCracken – Legislative Services Division (Research)
- Laura Sankey Keip – Legislative Services Division (Legal)

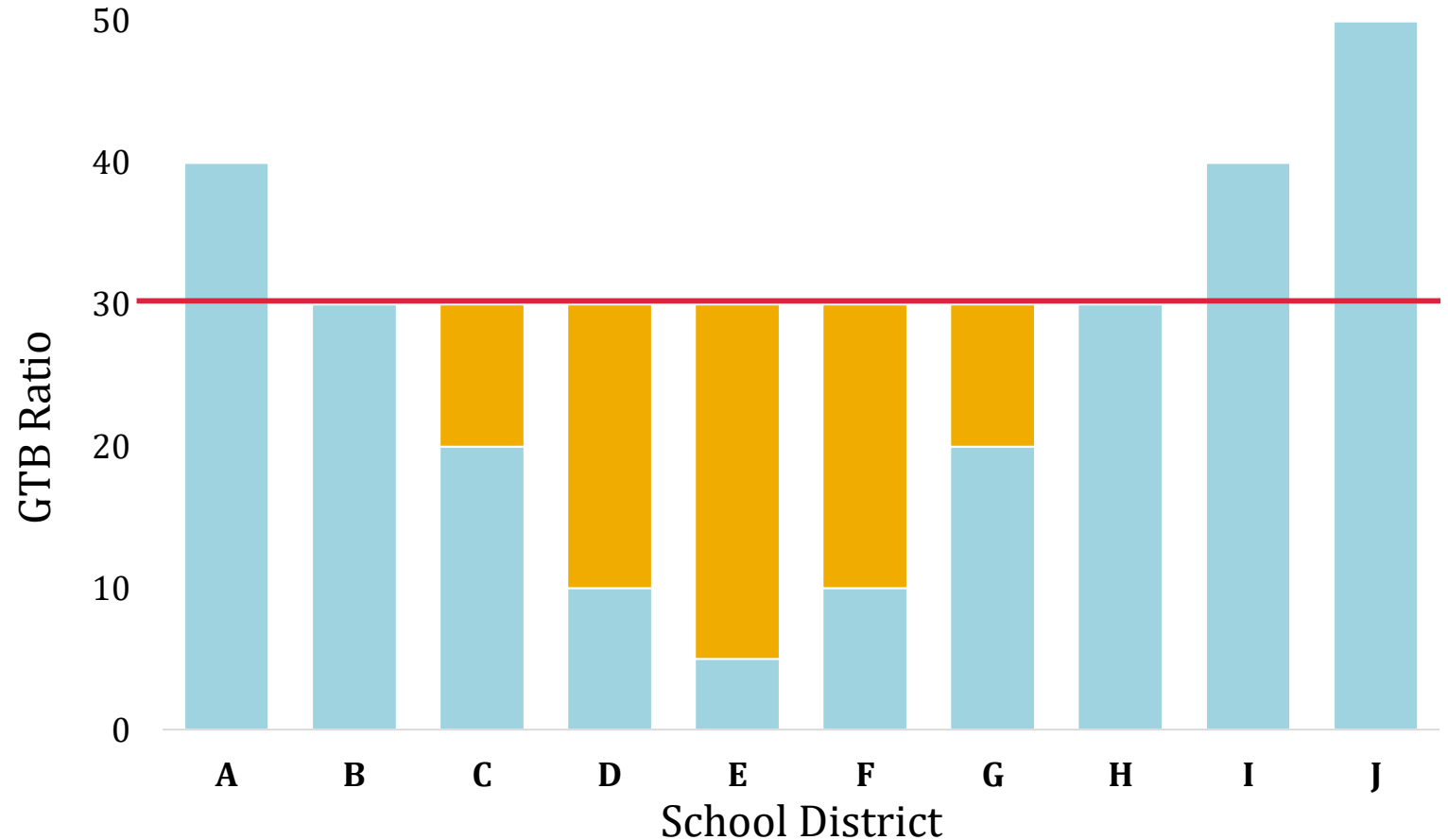


# **Additional Information on GTB Aid**



# GTB Aid

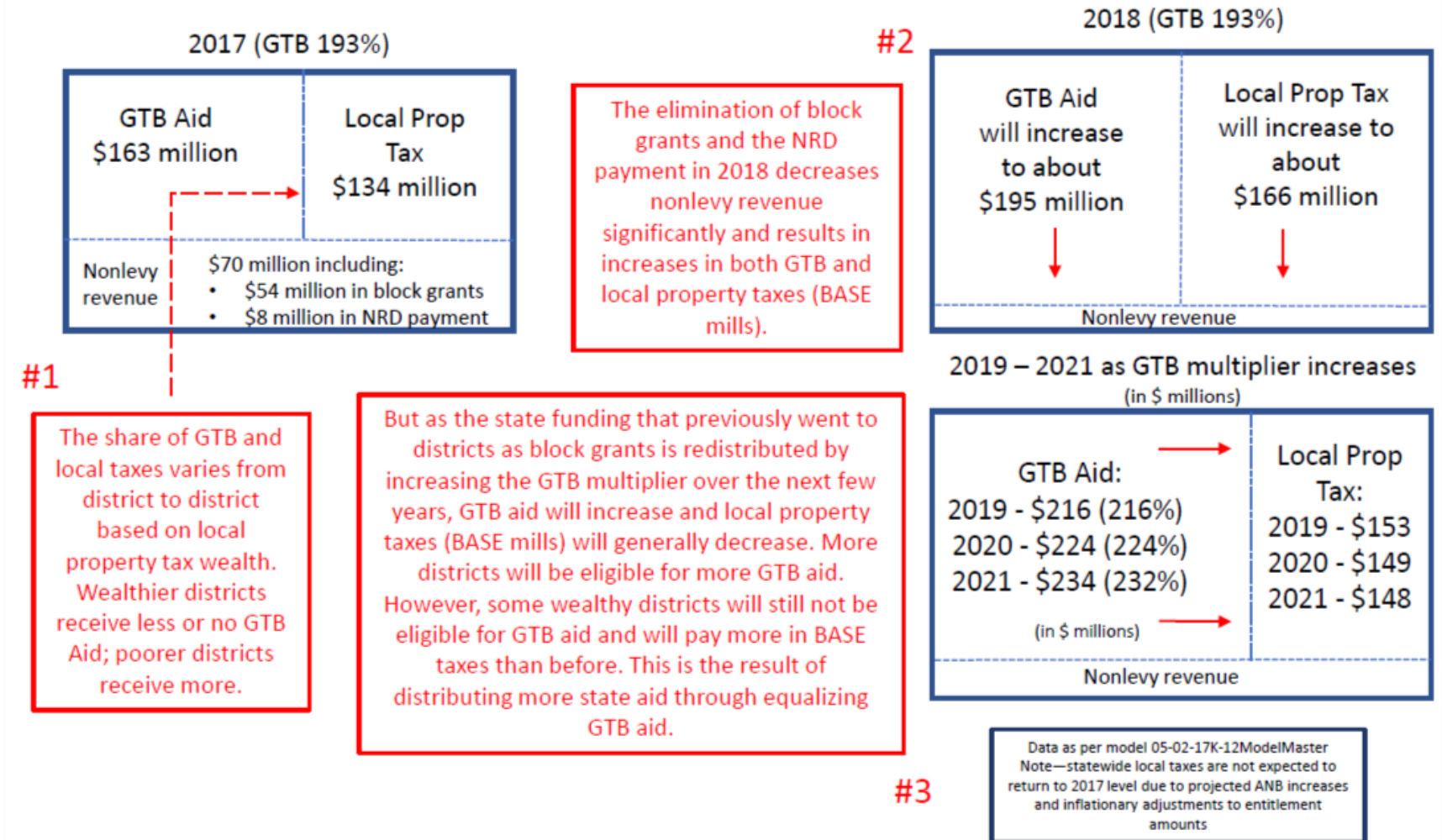
GTB aid equalizes districts' revenue-generating capacity by providing a **state GTB aid subsidy** for districts with less property tax wealth to bring their **revenue-generating capacity (based on the district GTB ratio)** to a **guaranteed amount**



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).

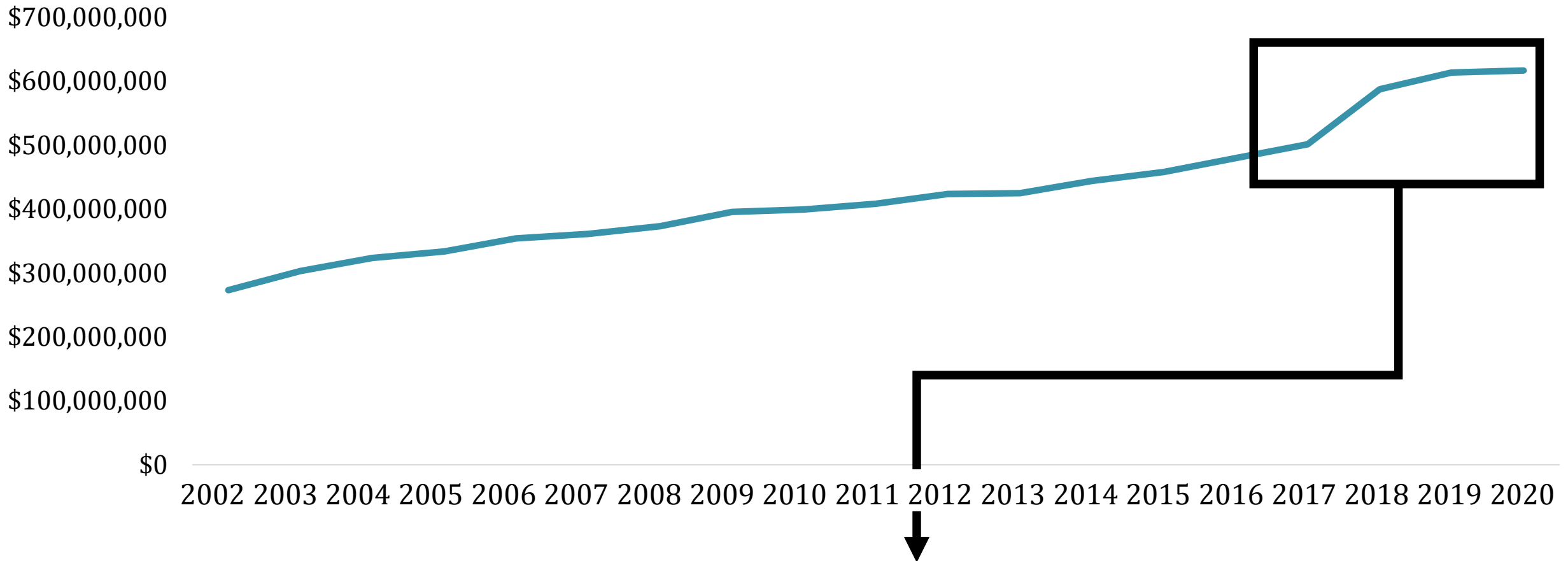
# GTB Basics

HB 647 (2017 Session) provides an example of the interplay of the school funding formula and property taxes. The elimination of school district block grants and the NRD payment resulted in noticeable property tax increases in 2018 across the state. Increasing the GTB multiplier from 193% in 2017 to 232% in 2021 will bring statewide BASE property taxes back down.

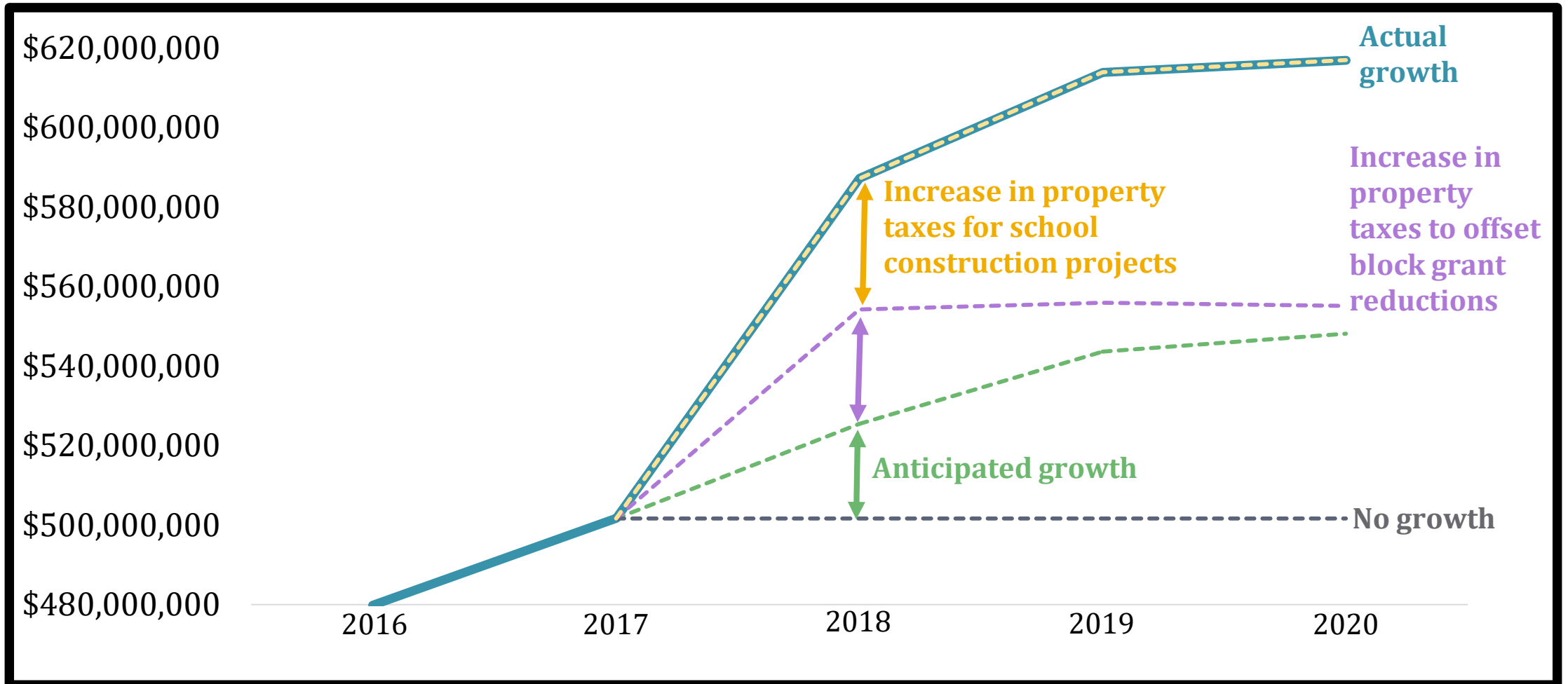


# Increase in school district mills levied between FY 2017 and FY 2020

Property taxes paid to school districts have grown 125.8% since FY 2002. However, in FY 2018 there was a spike in growth of property taxes paid to school districts, which amounted to an increase of \$85.6 million above FY 2017. Some of this growth should return to normal by the end of FY 2021 as the amount of GTB aid increases.



# Increase in school district mills levied between FY 2017 and FY 2020



**LFD**



**MONTANA LEGISLATIVE FISCAL DIVISION**