



K-12 Education Finance

Formula and
Trends

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Basic system of free quality public elementary & secondary schools

- the educational program specified by the accreditation standards set by the Board of Public Education
- educational programs to provide for students with special needs, such as:
 - a child with a disabilities
 - an at-risk student
 - a student with limited English proficiency
 - a child who is qualified for services under ADA
 - gifted and talented children
- educational programs designed to integrate the distinct and unique cultural heritage of American Indians into the curricula, with particular emphasis on Montana Indians

Basic system (continued)

- qualified and effective teachers or administrators and qualified staff
- facilities and distance learning technologies associated with meeting the accreditation standards
- transportation of students
- a procedure to assess and track student achievement
- preservation of local control of schools by board of trustees

Budgeted/Non-Budgeted Funds

1. Budgeted Funds (11 Funds)

- District trustees adopt expenditure budget annually
- Revenue may include tax levies
- Examples:
 - General
 - Transportation
 - Retirement



Budgeted/Non-Budgeted Funds

2. Non-Budgeted Funds

- District can spend up to cash balance in fund
- No tax revenue
- Examples:
 - Food Service
 - Miscellaneous Programs
 - Extracurricular



General Fund

- Authorized by 20-9-308, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



Budgeted Fund Statewide Totals

<u>Fund</u>	<u>FY18 Adopted Budgets</u>
General	\$ 1,112,918,118
Transportation	\$ 97,236,074
Bus Depreciation	\$ 56,015,706
Tuition	\$ 18,620,845
Retirement	\$ 171,100,035
Adult Education	\$ 11,164,798
Non-Operating (4 districts)	\$ 172,866
Technology	\$ 34,335,253
Flexibility	\$ 50,895,878
Debt Service	\$ 98,434,353
<u>Building Reserve</u>	<u>\$ 81,411,801</u>
Grand Total	\$ 1,732,305,727

Principles of Equalization

Basis for HB 667 (L.1993)

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities

Average Number Belonging

- ANB – Average Number Belonging is a student count for each school district used for school funding purposes.
- The ANB count for the current year is derived from school enrollment counts conducted in October and February of the previous school year.

ANB = Average Number Belonging

FALL ENROLLMENT

(1st Monday in October)

Adjusted for
part-time students

SPRING ENROLLMENT

(1st Monday in February)

Adjusted for
part-time students

Total of 2 counts

Divided by 2

$$\text{Times } \frac{180 + \text{PIR Days}}{180} = \text{ANB}$$

PIR Days are pupil instruction-related days where teachers are working but students are not in attendance

General Fund Budget Elements

- Basic Entitlement
- Per-Student Entitlement
- State Special Education Payment
- Local Special Education Match Amount
- Quality Educator Payment
- At-Risk Student Payment
- Indian Education for All Payment
- American Indian Achievement Gap Payment
- Data for Achievement

Entitlements FY19

<u>Basic Entitlement</u>		<u>Additional ANB</u>	<u>Basic Entitlement Increment</u>
Elementary	\$ 52,105	25	\$ 2,606
Middle School	\$ 104,212	45	\$ 5,211
High School	\$ 312,636	80	\$ 15,632

Per ANB Entitlement FY19

Elementary \$5,573 - \$0.20/ANB up to 1,000 ANB

High School \$7,136 - \$0.50/ANB up to 800 ANB

Special Education Block Grant FY19

Instructional \$150.57/ANB

Related-Services \$ 50.19/ANB

Special Education

- **State Special Education Appropriation**

FY 2019 \$43,291,924

- **Funding Allocations**

- 52.5% Instructional Block Grants
- 17.5% Related Services Block Grants
- 25% Disproportionate Cost Reimbursement
- 5% Coop Travel and Administrative Costs
- Money is distributed to a school district based on the Current ANB not based on the number of students with disabilities.

Special Education Entitlements

Special Education Block Grant (FY 19)

Instructional	\$150.57/ANB
Related-Services	\$50.19/ANB

General Fund Components

- Quality Educator Payment
FY19 \$3,245 per educator
- American Indian Achievement Gap Payment
FY19 \$214 per American Indian Student
- Indian Education for All Payment
FY19 \$21.76 per ANB min \$100 district
- At-Risk Student Payment
FY19 \$5,463,895 allocated based on Title I Allocations
- Data for Achievement Payment
FY19 \$20.84 per ANB

Quality Educator

Quality Educator is defined as a person who holds a valid certificate and is employed by a school district or special education cooperative in a position that requires an educator license or other professional license to provide services to students.

Quality Educator Payment

Each district and special education cooperative will receive a \$3,245 payment (FY19) for each full-time equivalent (FTE) licensed educator and other licensed professional employed by the school district, including registered nurses, licensed practical nurses, physical therapists, speech language professionals, counselors, occupational therapists, nutritionists, social workers, and psychologists.

Major Changes in School Funding Components (L. 2003-2017)

- Inflationary increase in Present Law Budget (L. 2003)
- 3-year average ANB (L. 2005)
- Part-time enrollment (L. 2005)
- Quality Educator payment (L. 2005, Special Session)
- American Indian Achievement Gap payment
- Indian Education for All payment
- At-Risk Student payment
- ANB funding for Full-time Kindergarten (L. 2007)
- Basic Entitlement for middle school and 7-8 grade programs
- Data for Achievement payment (L. 2013)

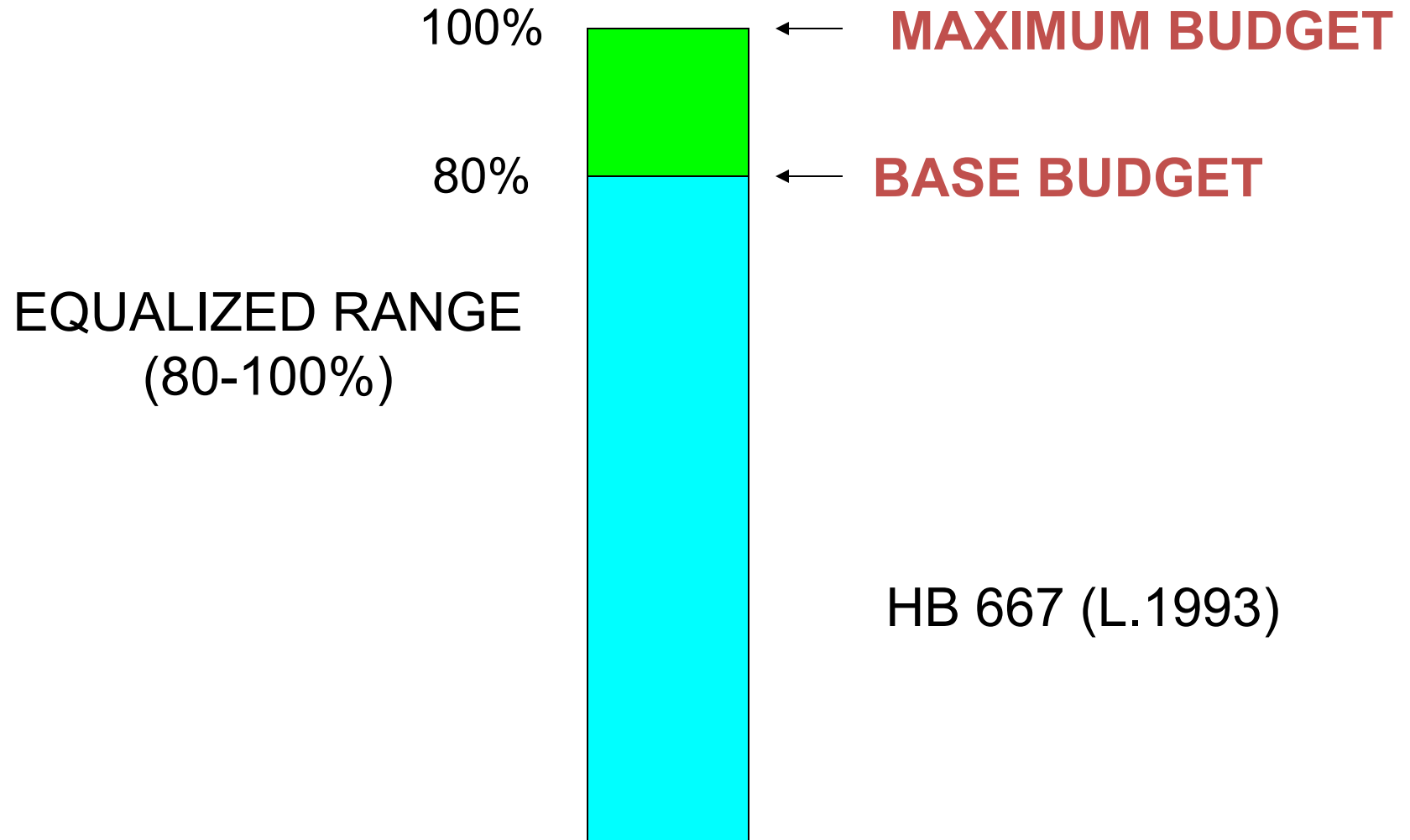
Maximum Budget (FY19)

Basic Entitlement

- + Per-ANB Entitlement
- + 200% Special Ed Per Student
- + Quality Educator Payment
- + At-Risk Student Payment
- + Indian Education for All Payment
- + American Indian Achievement Gap Payment
- + Data for Achievement Payment

MAXIMUM BUDGET (100%)

General Fund Budget Limits



Maximum

Over-BASE

BASE

BASE

80% Per-Student Entitlement

80% Basic Entitlement

100% Quality Educator Payment

100% At-Risk Student Payment

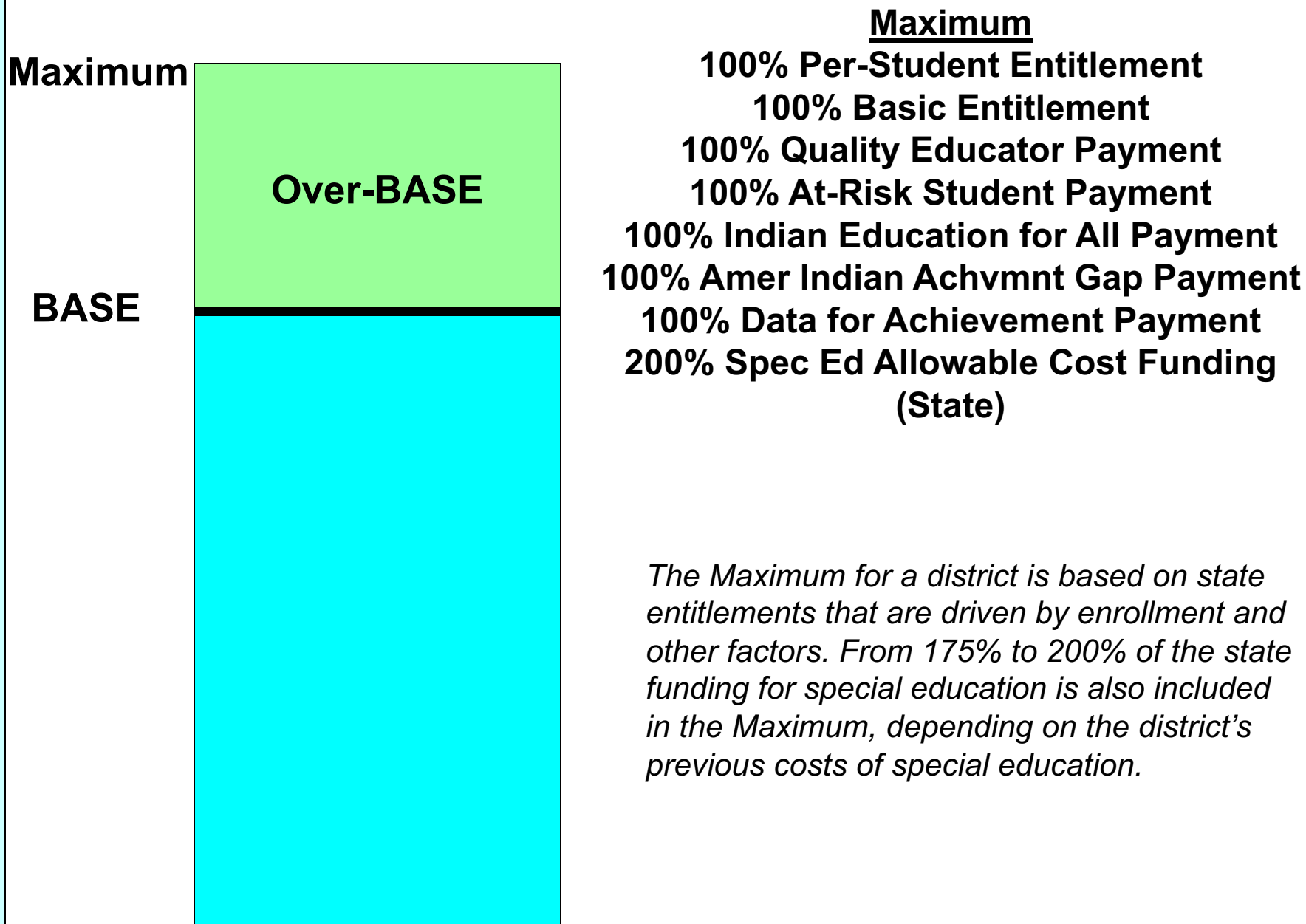
100% Indian Education for All Payment

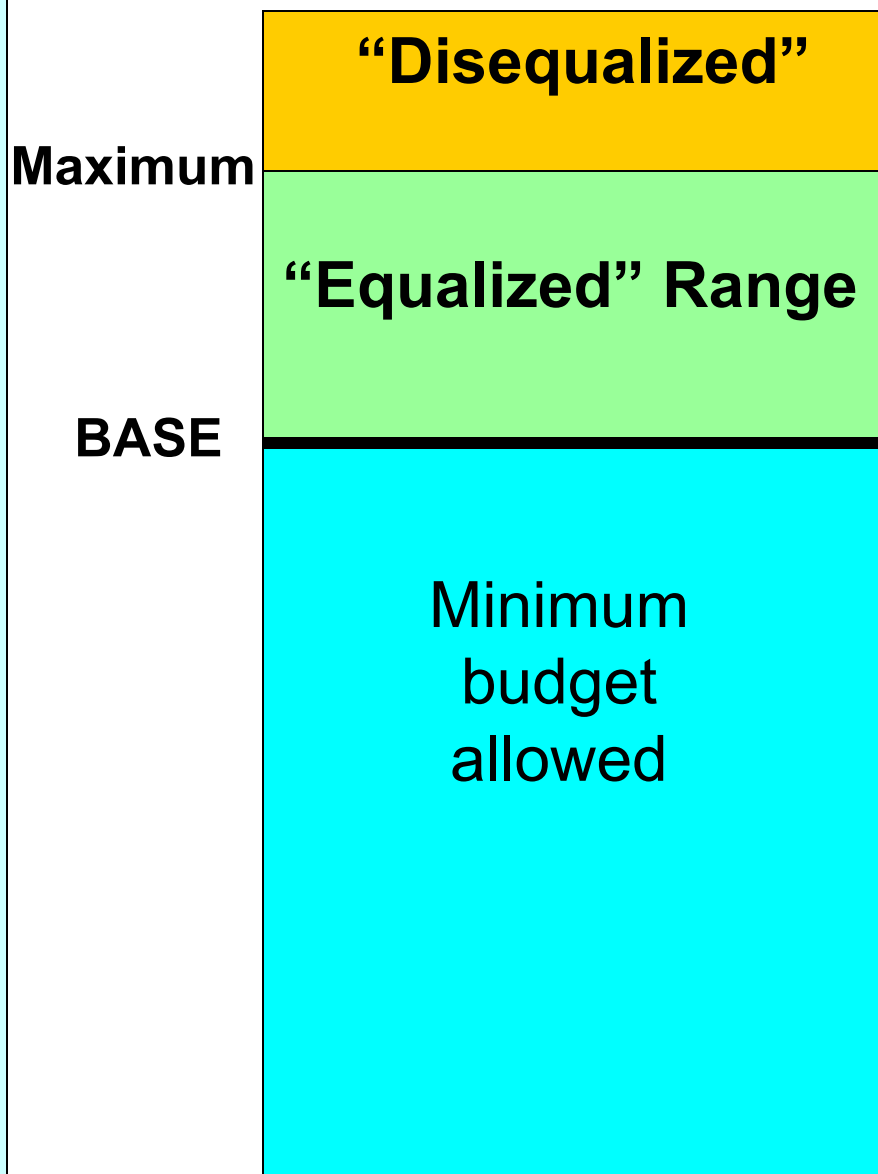
100% Amer Indian Achvmnt Gap Payment

100% Data for Achievement Payment

**140% Spec Ed Allowable Cost Funding
(State)**

The BASE is 80% of the basic and per-student entitlements, 100% of the other state entitlements, plus 140% of the state special education funding.



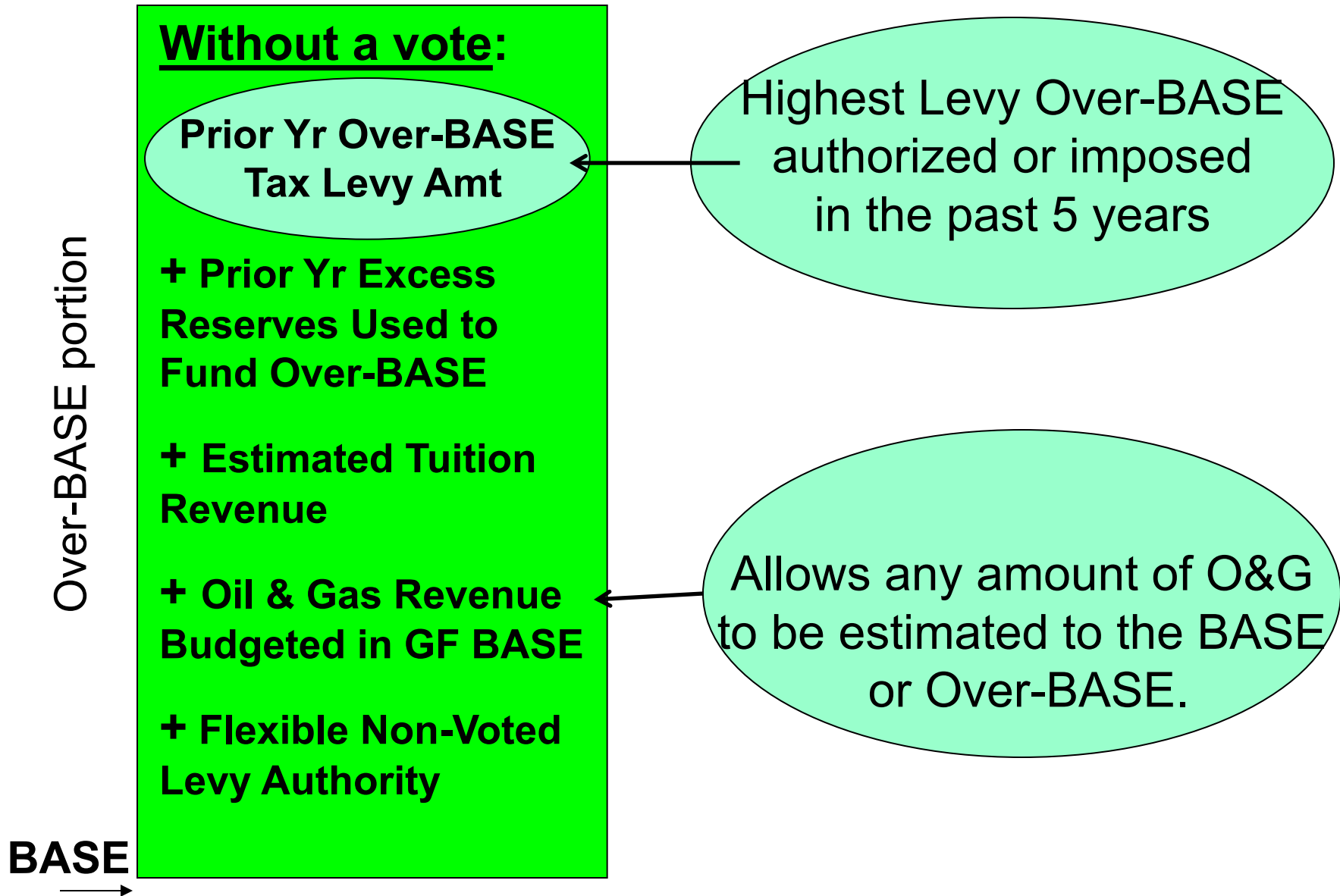


A district may adopt a budget that exceeds the Maximum in limited cases.

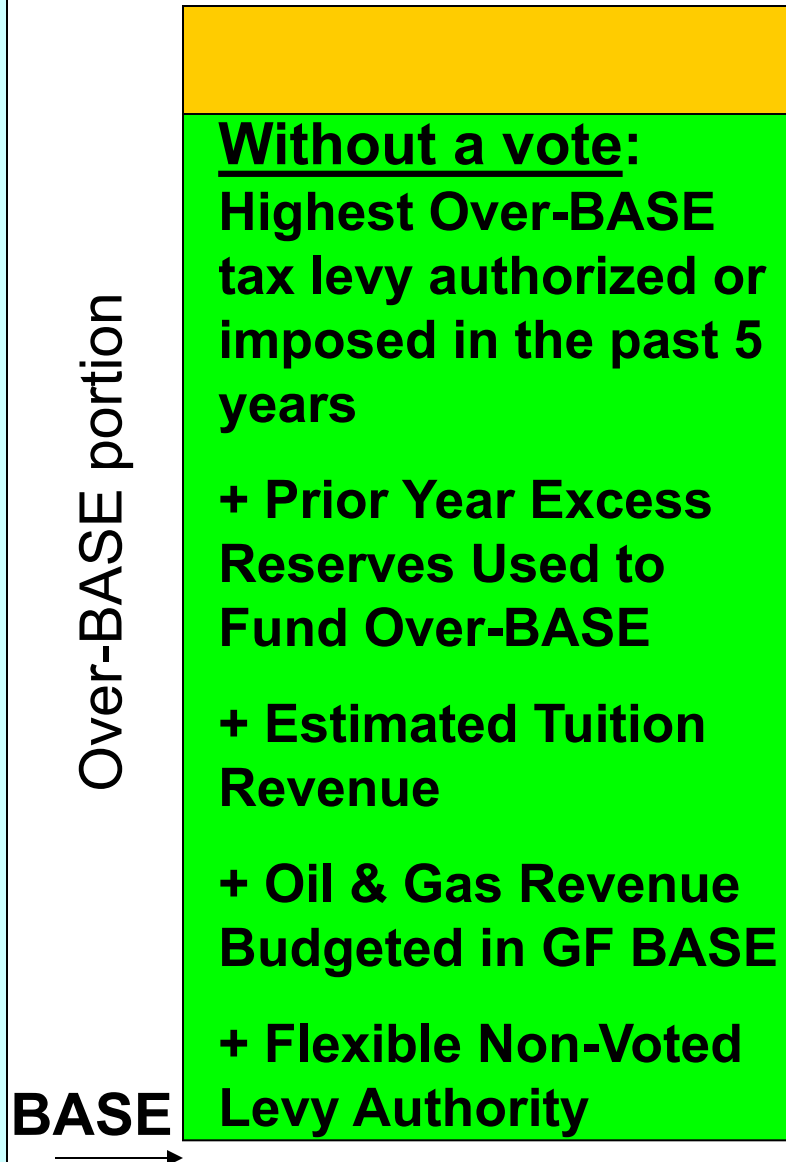
In an effort to equalize school funding in Montana, state law encourages schools to adopt general fund budgets within an "equalized" range between the "BASE" and "Maximum."

The BASE is the minimum legal budget for a district.

Highest Budget Without a Vote



Highest Budget With a Vote

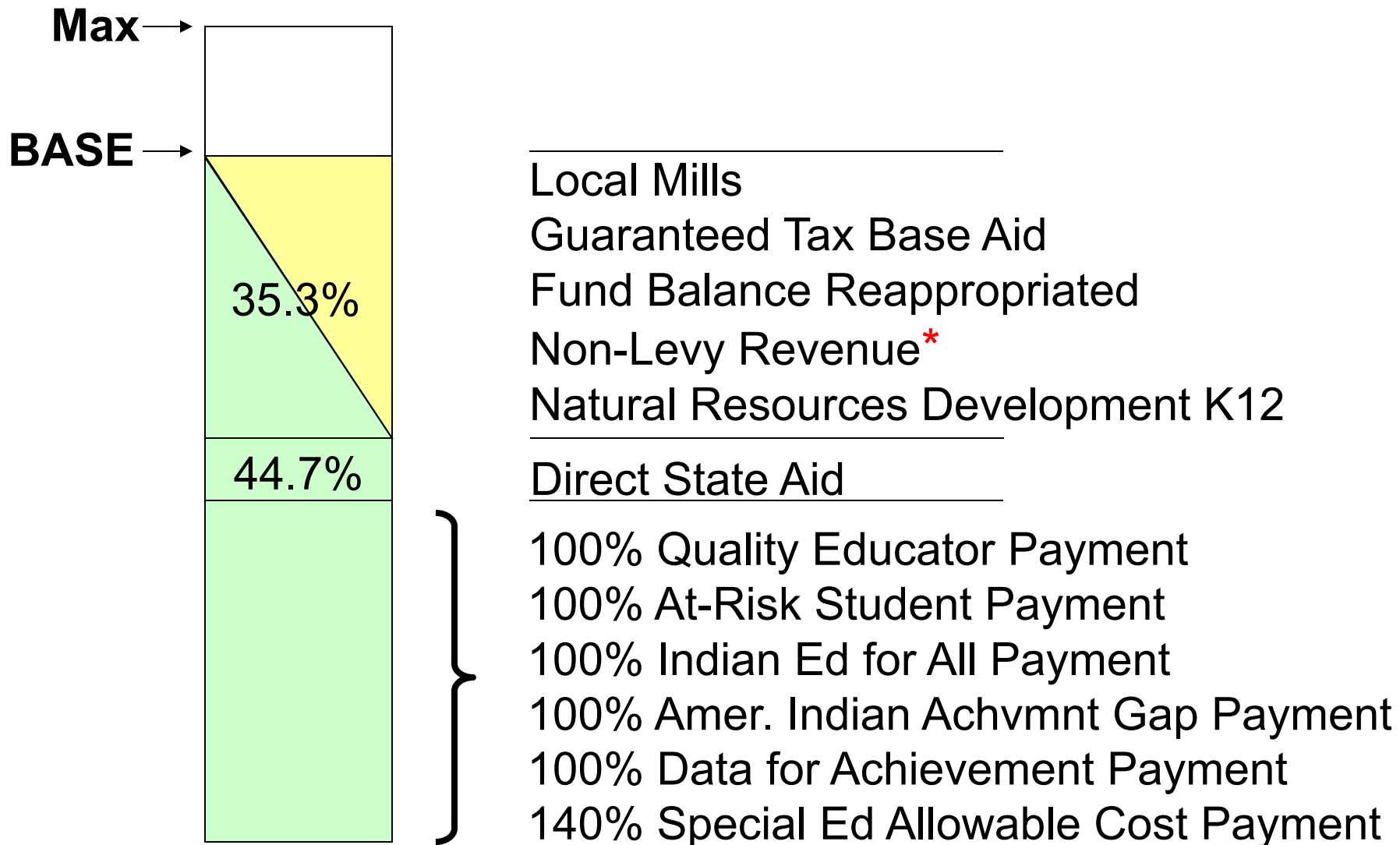


Vote Required for Increase in Over-BASE Tax Levy

District may adopt up to prior year budget or ensuing year's Maximum, whichever is higher.

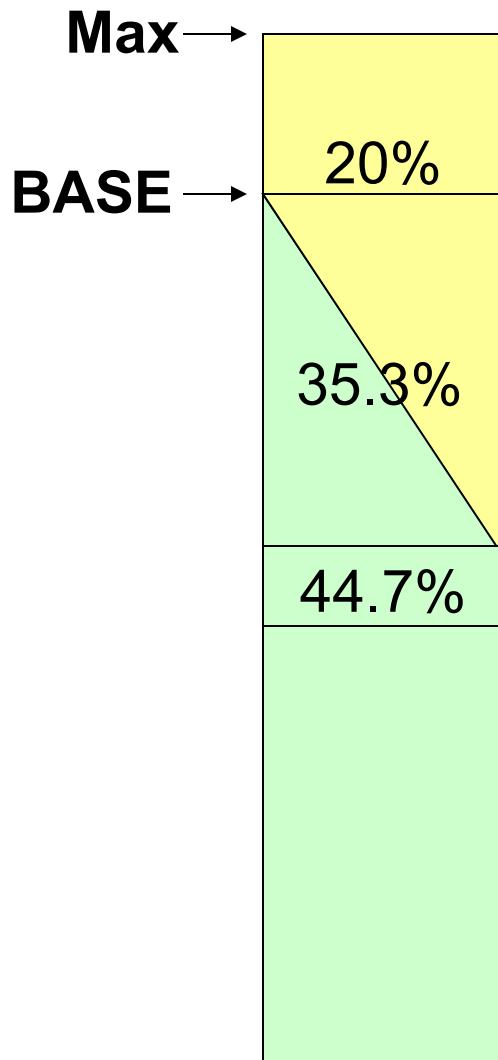
Requires voter approval to increase the over-BASE levy.

Funding the BASE Budget



*Oil & Gas (O&G) may be estimated in any amount to the BASE or Over-BASE however GTB will be distributed as though 12.5% of the PY O&G receipts have been budgeted to the BASE budget in O&G receiving districts that do not meet certain exceptions (SB 252) 2015 .

Funding the Maximum Budget



Local Mills + Tuition+ Excess Reserves
+ Flexible Non-Voted Levy + O&G to OB *

Local Mills

Guaranteed Tax Base Aid

Fund Balance Reappropriated

Non-Levy Revenue *

Natural Resources Development K12

Direct State Aid

100% Quality Educator Payment

100% At-Risk Student Payment

100% Indian Ed for All Payment

100% Amer. Indian Achvmnt Gap Payment

100% Data for Achievement Payment

140% Special Ed Allowable Cost Payment

*Oil & Gas (O&G) may be estimated in any amount to the BASE or Over-BASE however GTB will be distributed as though 12.5% of the PY O&G receipts have been budgeted to the BASE budget in O&G receiving districts that do not meet certain exceptions (SB 252) 2015.

Guaranteed Tax Base Aid

- Guaranteed Tax Base (GTB) Aid is a state subsidy provided to “low-wealth” school districts to increase the value of a mill levied against the district’s tax base.
- The school funding formula sets a guaranteed tax base level for each school district in order to equalize the number of mills necessary to fund the BASE budget.

How Guaranteed Tax Base Works

- State Taxable Value
\$ 2,837,043,937 (2017 tax year)
- State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$25.01 (FY19) of taxable valuation at the elementary level and \$47.87 (FY19) at the high school level to fund that budget.
- The GTB level is recalculated each year.

Example: Havre Elementary

FY 19 GTB Ratio

Elementary districts: \$ 25.01

Havre Elementary

GTB Budget area: \$ 2,943,479

Guaranteed Tax Base: \$ 73,616,407

Taxable Valuation: \$ 21,488,049

FY19 GTB subsidy/mill: \$ 52,128

GTB aid maintains equalization by adjusting to changes in local property tax base and non-levy revenues

- In the 2017 regular session, the Legislature eliminated \$54.4 M in school block grants to the district general fund and re-directed the \$5.8 M Natural Resource Development payment.
- From FY 2008 – FY 2018, the statewide taxable valuation was multiplied by 193% in the calculation of the **Statewide GTB Ratio**. The multiplier is set at 216% for FY 2019, 224% for FY 2020, and 232% for FY 2021 and succeeding years.

Non-Levy Revenue

- Schools must budget certain non-levy revenues (noted with *)
- When budgeting, non-levy revenues are generally estimated BEFORE levying property taxes
- Examples of non-levy revenue include:
 - Non Levy Revenues to the BASE Budget
 - Investment earnings*
 - State Reimbursements (for tax law changes)*
 - Oil & Gas taxes
 - Coal gross proceeds
 - Non Levy Revenues to the Over-BASE Budget
 - State Paid Tuition
 - Oil & Gas taxes

This list is not inclusive of all non-levy revenues, contact OPI for a complete list.

State Paid Tuition

- State pays tuition to a receiving district for a student placed outside the district of residence by a state agency or court, including a tribal court. These tuition payments are paid by OPI.
- FY18 appropriation \$402,675

Fund Balance Reappropriated

- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year before property taxes may be levied
- FBR is limited to 15% of the Maximum GF budget excess FBR is remitted to the state.

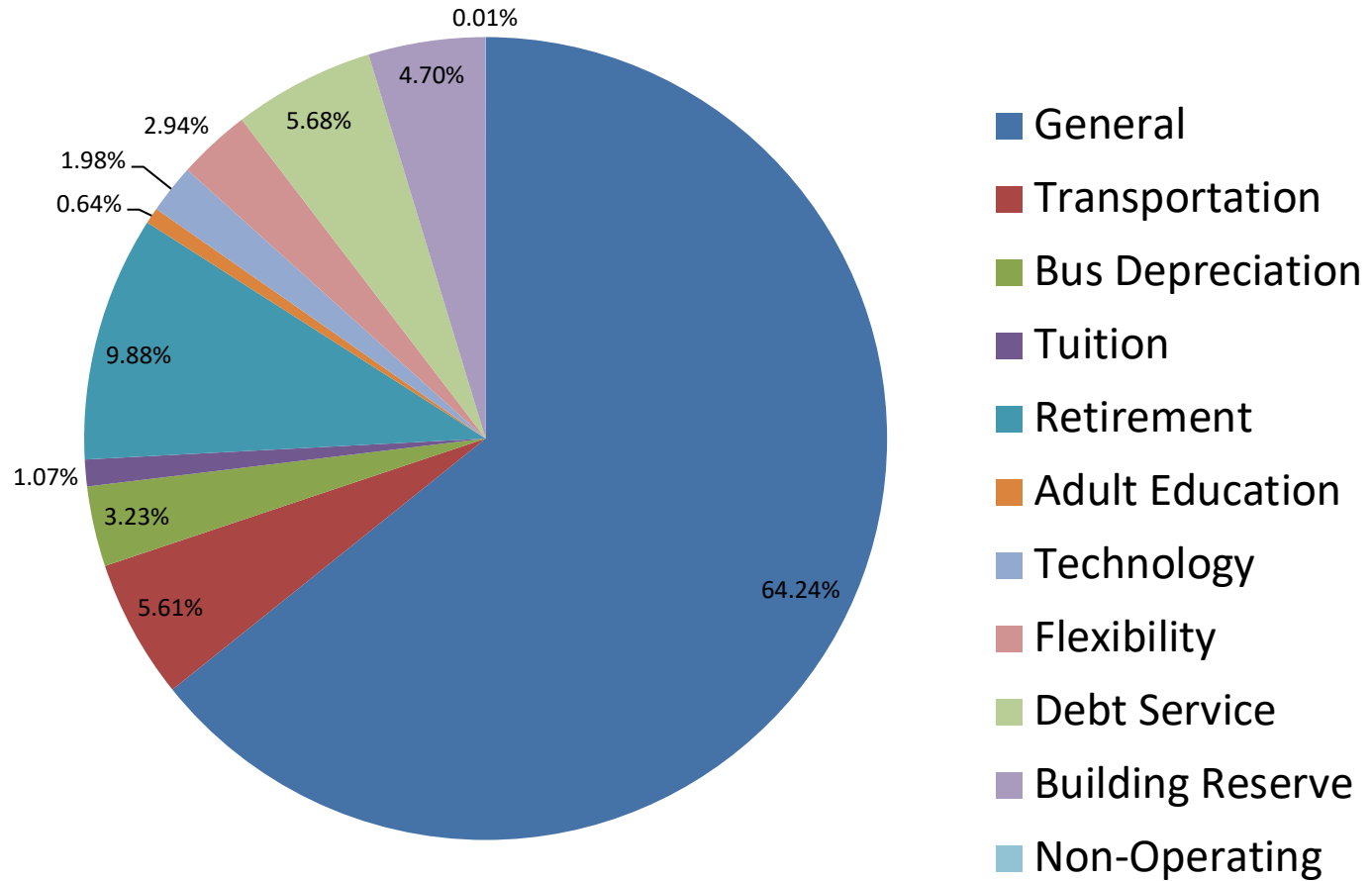
Special Revenue Funds

Purpose: Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



FY 18 Total Adopted Budgets



Special Revenue Funds

Transportation Fund: For financing the maintenance and operation of district's school buses, private carrier contracts, and any amount necessary for the purchase, rental, or insurance of school buses or operation of the transportation program.



Pupil Transportation

- County transportation committee approves bus routes
- Each district calculates its transportation cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy for 50% of on-schedule costs
- State pays remaining 50% of on-schedule costs
- District levies excess on district taxpayers
- Levy is made permissively (no vote)

Retirement

- Funds school district cost of employee taxes, unemployment, and retirement
- Funded by permissive (no vote) countywide levy
- Each district calculates cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy
- State guaranteed tax base supports mills

County Retirement

Guaranteed Tax Base Aid

- County property tax levy is matched by state GTB aid
- Supported by guaranteed tax base
 - State mill value per ANB guarantee
 - Rich counties get nothing
 - Each EL mill raises \$31.69 /ANB (FY19)
 - Each HS mill raises \$78.21/ANB (FY19)
- FY18 Co Retirement GTB: \$41,201,008

Debt Service Fund

- Principal, interest on bonds and Special Improvement Districts
- Bond proceeds
- Budgeted fund with voted levy

School Facilities Payments

- Available to districts that have sold general obligation bonds
- Debt service mills are matched by state aid in low-wealth districts
- State support is capped
- EL mill value/ANB \$36.67 (FY19)
- HS mill value/ANB \$90.49 (FY19)
- No funding appropriated for FY 19

Capital Projects Funds

Building Fund:

- Bond proceeds
- Insurance proceeds, federal funds, and property sold by district for building and construction projects
- Non-budgeted fund

Building Reserve Fund:

- Voter-approved building or construction projects
- Transfers for School safety projects
- Budgeted Fund

Other Special Revenue Funds

Budgeted:

- Bus Depreciation: Financing replacement buses & communication systems and safety devices installed on the bus
- Tuition: Costs of students who attend school outside their district & in district students with an IEP
- Technology Fund: Purchase and maintain tech equipment and provide tech training
- Others

Other Special Revenue Funds

Non-Budgeted:

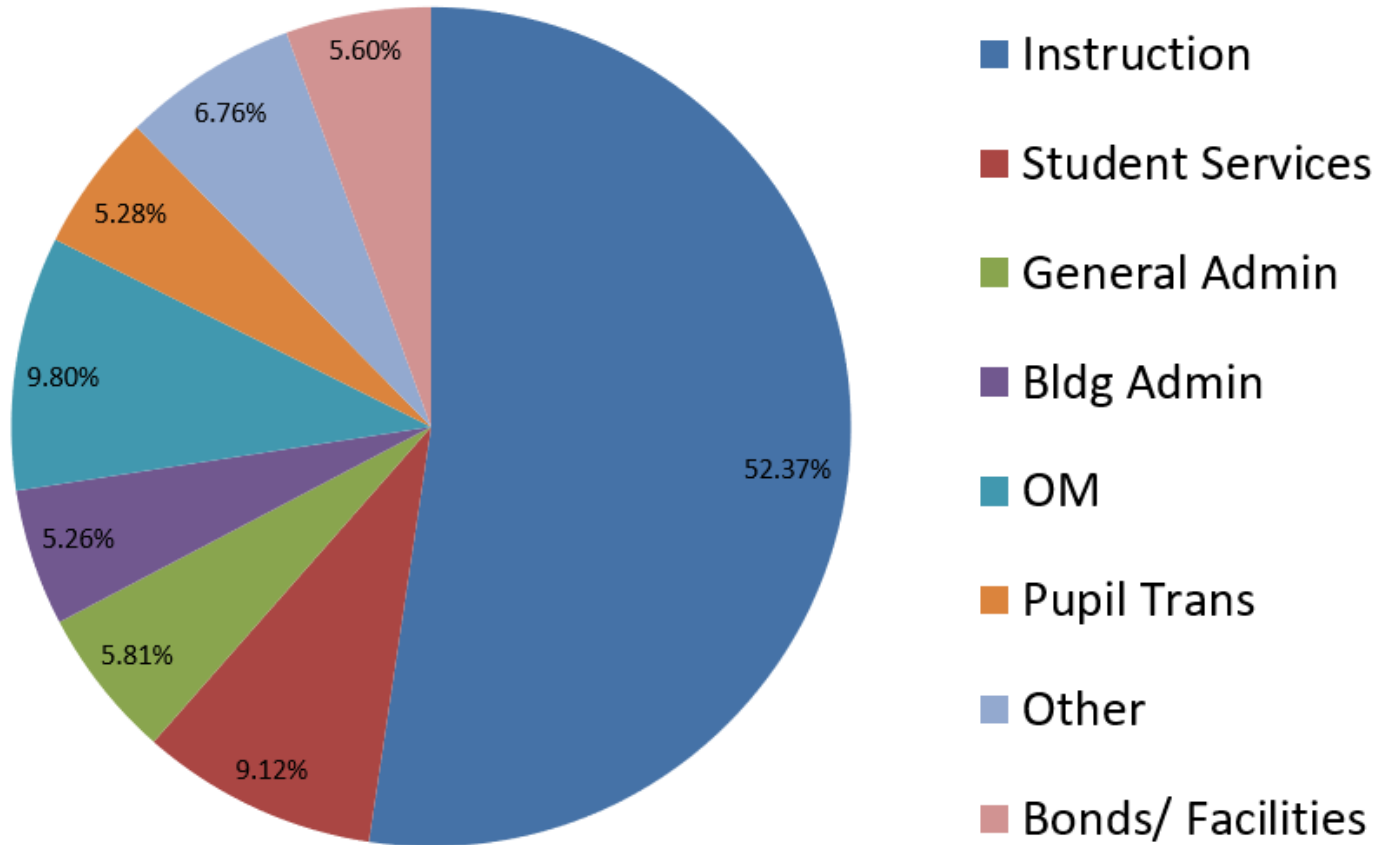
- Food Service: School food service operations
- Miscellaneous Programs: Local, state, and federal grants and reimbursements
- Others

References



EXPENDITURE “FUNCTION”

Expenditure Categories FY17

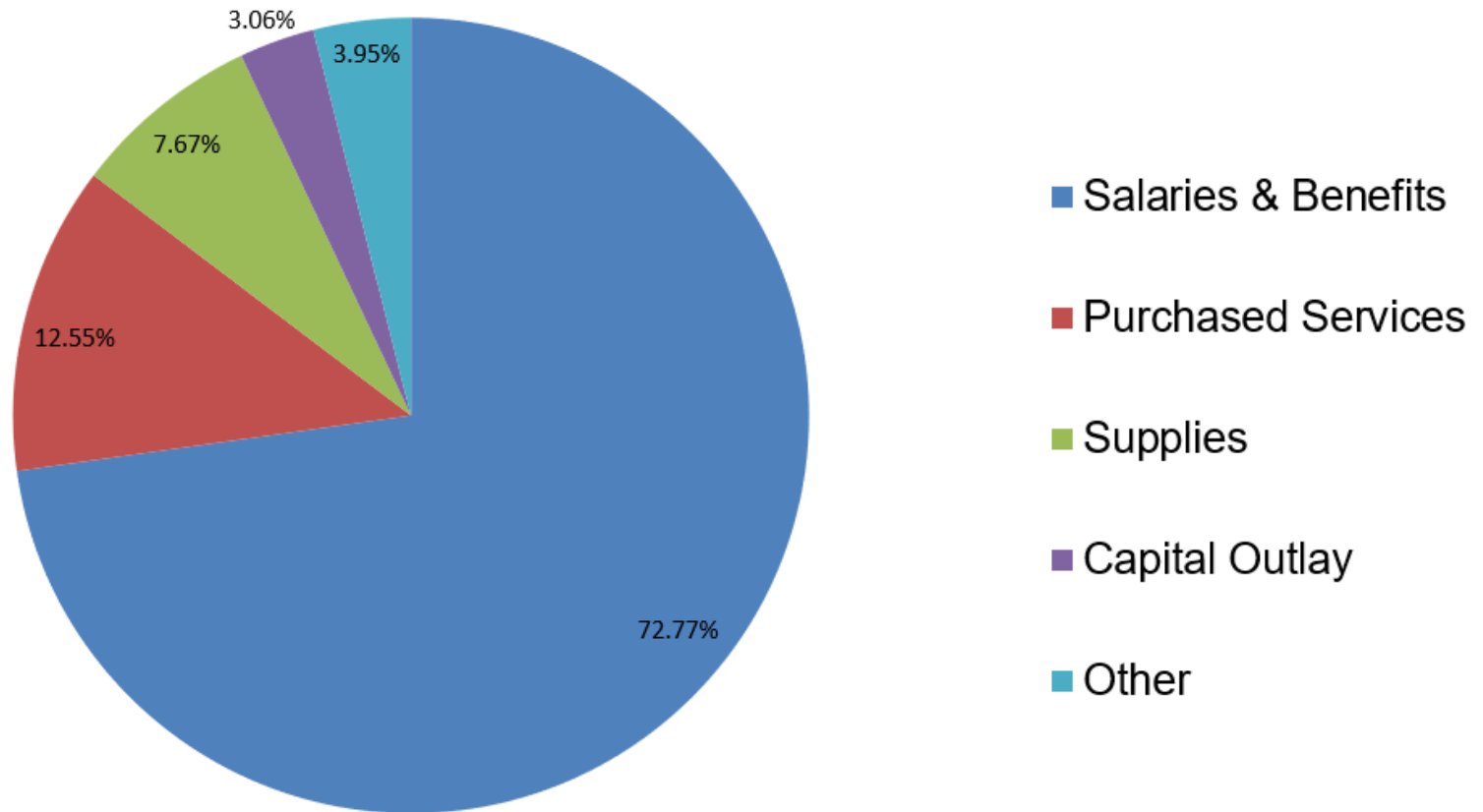


Source: Per Pup

<http://www.opi.mt.gov/pub/index.php?dir=School Finance/OPICoreDataFiles/PerPupil/>

EXPENDITURE “OBJECT”

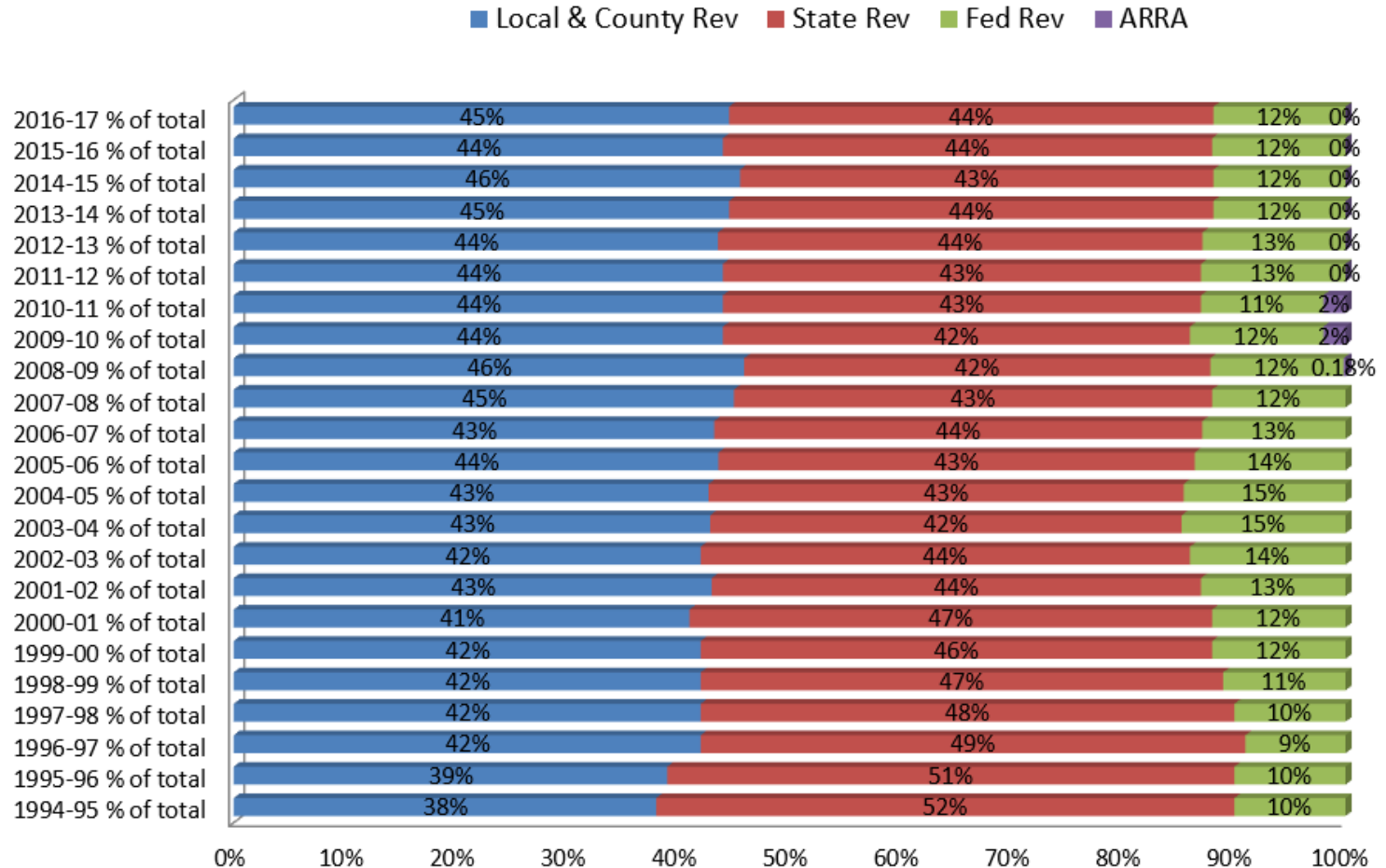
Expenditure Categories FY2017



Source: Per Pupil:

<http://www.opi.mt.gov/pub/index.php?dir=School Finance/OPICoreDataFiles/PerPupil/>

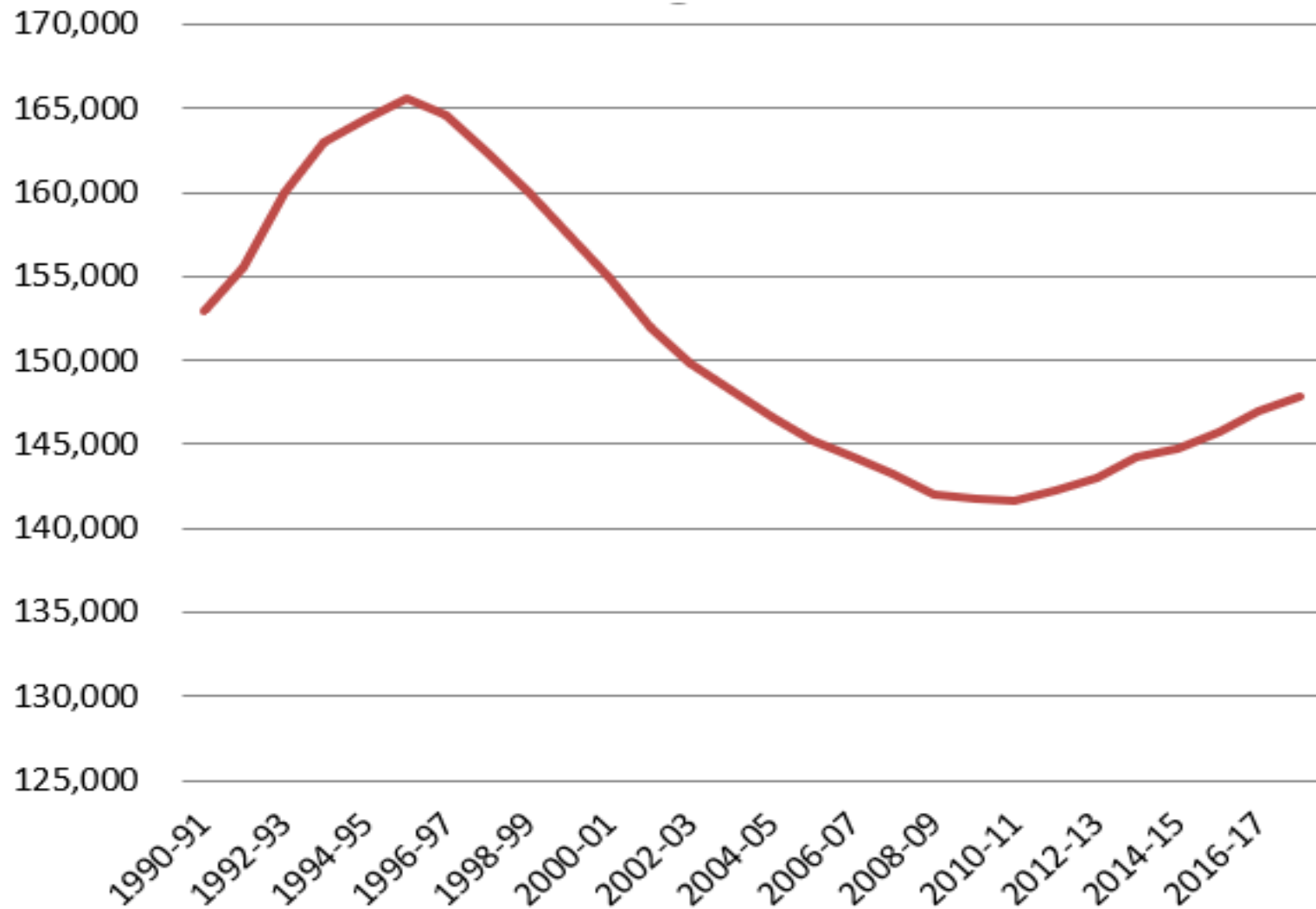
Local revenue sources provide approximately 45% of school funding



*ARRA does not include Revenue type General Fund SFSF (rev types 7800, 7810) this is included in State Revenue.

This chart shows revenues for all school funds

Statewide Enrollment 1991-2018

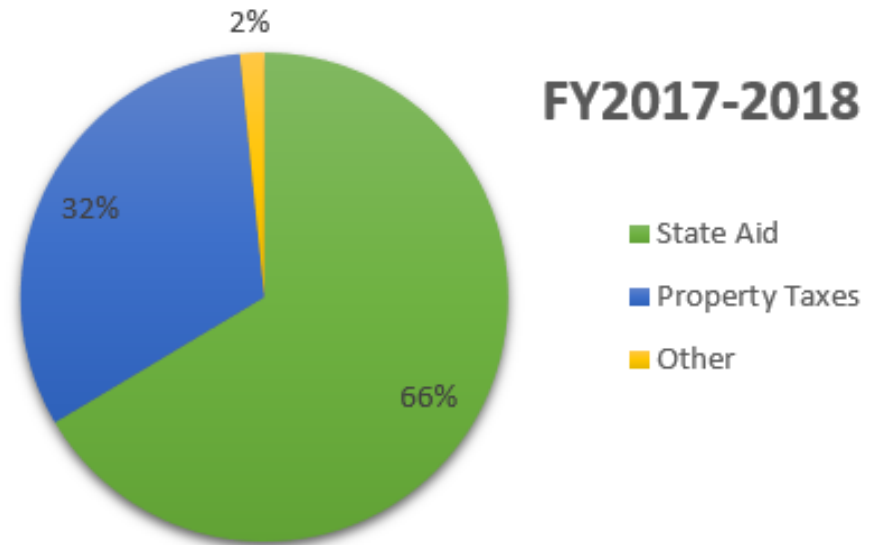
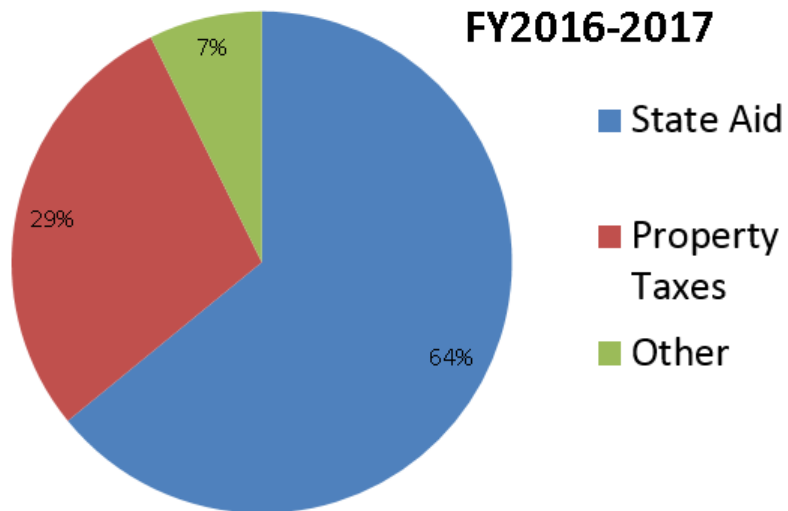


General Fund Budgets

Number of Districts

Percent Group	08	09	10	11	12	13	14	15	16	17	18
Below Base	0	0	0	0	0	0	0	0	0	0	0
At Base	53	54	53	51	49	48	48	48	46	45	44
< 90%	45	44	44	45	42	43	47	48	52	47	50
90 to 97%	83	77	82	80	78	74	89	83	85	88	81
97 to Max	135	142	119	127	84	89	95	91	96	80	76
Over Max	105	103	119	114	161	156	128	136	125	141	148
Grand Total	421	420	417	417	414	410	407	406	404	401	399

District General Fund Revenues



School District Budgets

- Limits the amount of oil and natural gas production taxes that a school district may receive to 130% of the district's maximum general fund budget.
- Any amount in excess of the limitation is retained by the state and deposited into the guarantee account, which is the first source of funding for state support for schools.

School District Budget Amendments

- Requires a school district to report to the Education and Local Government Interim Committee of the legislature if the district adopts a budget amendment that in combination with any other budget amendments exceeds 10% of the district's adopted general fund budget.

School District Fund Transfers

- Trustees may hold an election to transfer tax money from one budgeted fund to another budgeted fund and use it for a purpose approved on the ballot.
- Unless otherwise authorized by a specific provision in this title, transfers from the general fund to any other fund and transfers to the general fund from any other fund are prohibited.

Pathway to Excellence Program

- Requires the Office of Public Instruction (OPI) to develop on its website an educational data profile for each district, which contains:
 - school district contact information and links to district websites, when available.
 - state criterion-referenced testing results.
 - program and course offerings.
 - student enrollment and demographics by grade level.
 - graduation rates.

Pathway to Excellence Program

- Requires each school district to annually report to the OPI and post on its website the following district information for the previous school year
 - The number and type of employee positions.
 - The total amount of compensation paid to each school district.
 - The certification held by and required of each employee.

Multidistrict Cooperatives

- Allows cooperative purchasing contracts between school districts to purchase supplies and services without complying with bid requirements if the group maintains an updated, publicly available master list of supplies and vendors. The group must allow vendors to compete twice yearly for inclusion on the master list.

Multidistrict Cooperatives

- Authorizes two or more school districts to create a multidistrict cooperative to perform any services, activities, and undertakings of the participating districts.
- Members of multidistrict cooperatives may transfer moneys from any budgeted funds of the district to the prime agent (host) district of the cooperative for deposit into the interlocal agreement fund.