



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

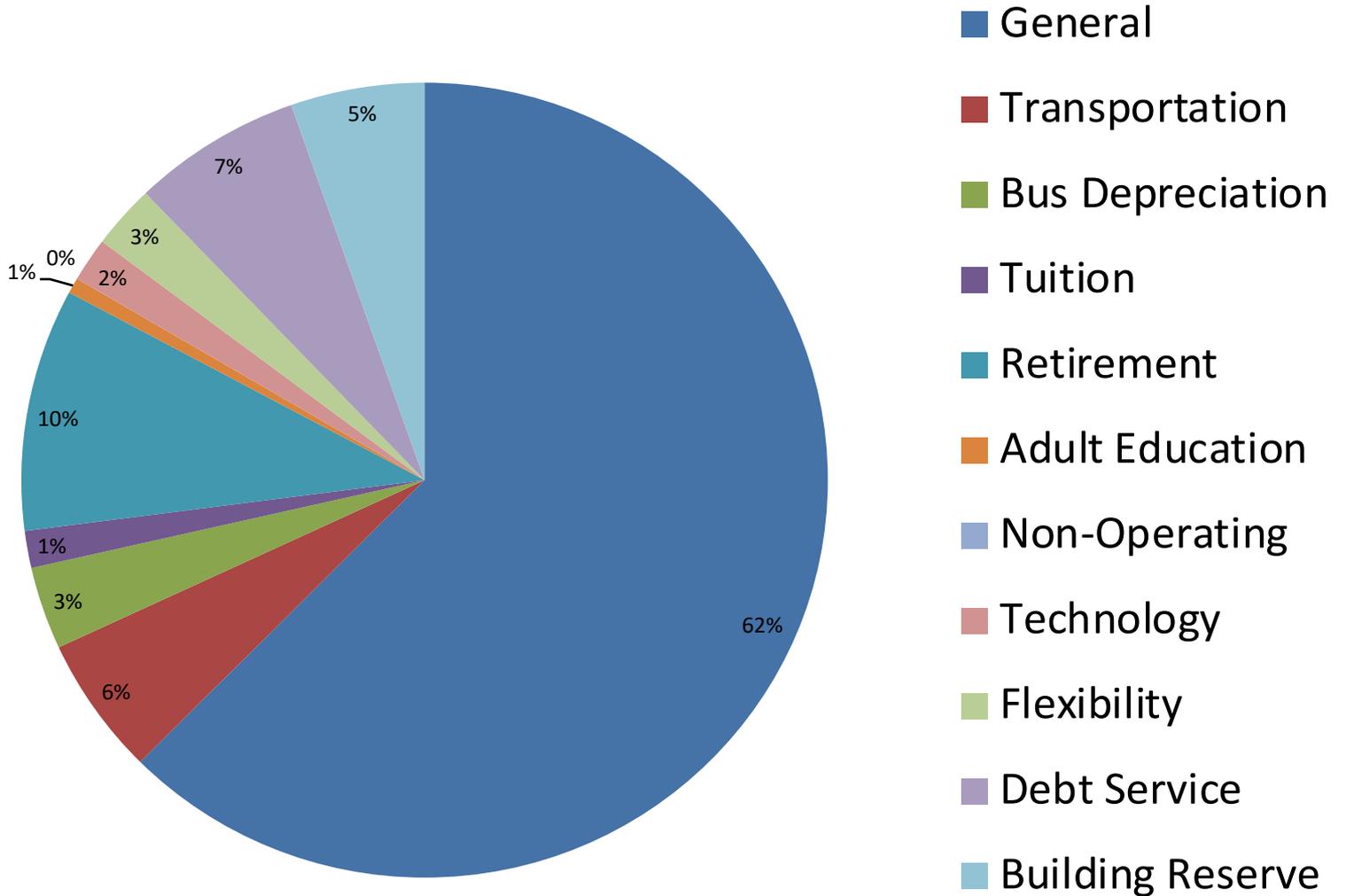


Budgeted Fund Statewide Totals

<u>Fund</u>	<u>FY20 Adopted Budgets</u>
General	\$ 1,153,264,937
Transportation	\$ 103,998,662
Bus Depreciation	\$ 62,008,246
Tuition	\$ 27,882,472
Retirement	\$ 182,215,025
Adult Education	\$ 11,644,113
Non-Operating (4 districts)	\$ 30,623
Technology	\$ 33,062,434
Flexibility	\$ 47,780,752
Debt Service	\$ 125,573,740
<u>Building Reserve</u>	<u>\$ 99,025,850</u>
Grand Total	\$ 1,846,486,853

FY 20 Total Adopted Budgets

Adopted Budget by Fund



Fund Structure

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
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 FY21

<u>Basic Entitlement</u>		<u>Additional ANB</u>	<u>Basic Entitlement Increment</u>
Elementary	\$ 53,541	25	\$ 2,678
Middle School	\$ 107,084	45	\$ 5,354
High School	\$ 321,254	80	\$ 16,063

Per ANB Entitlement FY21

Elementary \$5,727 - \$0.20/ANB up to 1,000 ANB
 High School \$7,333 - \$0.50/ANB up to 800 ANB

Special Education Block Grant FY21

Instructional \$152.88/ANB
 Related-Services \$ 50.96/ANB

Special Education

- **State Special Education Appropriation**

FY 2021 \$44,702,880

- **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 21)

Instructional	\$152.88/ANB
Related-Services	\$50.96/ANB

General Fund Components

- Quality Educator Payment
FY21 \$3,335 per educator
- American Indian Achievement Gap Payment
FY21 \$220 per American Indian Student
- Indian Education for All Payment
FY21 \$22.36 per ANB min \$100 district
- At-Risk Student Payment
FY21 \$5,641,973 allocated based on Title I Allocations
- Data for Achievement Payment
FY21 \$21.41 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 \$3,335 payment (FY21) 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)

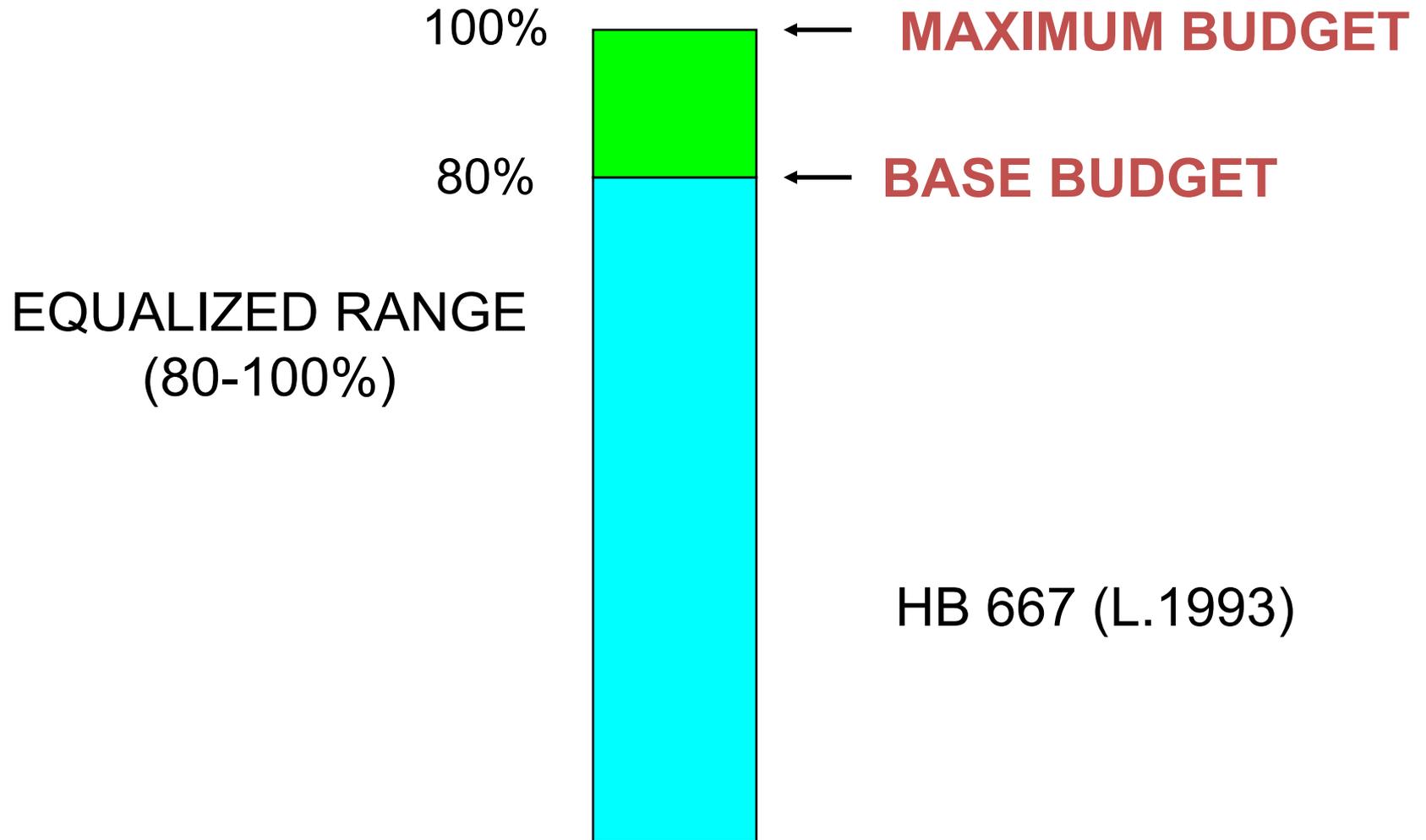
Maximum Budget (FY21)

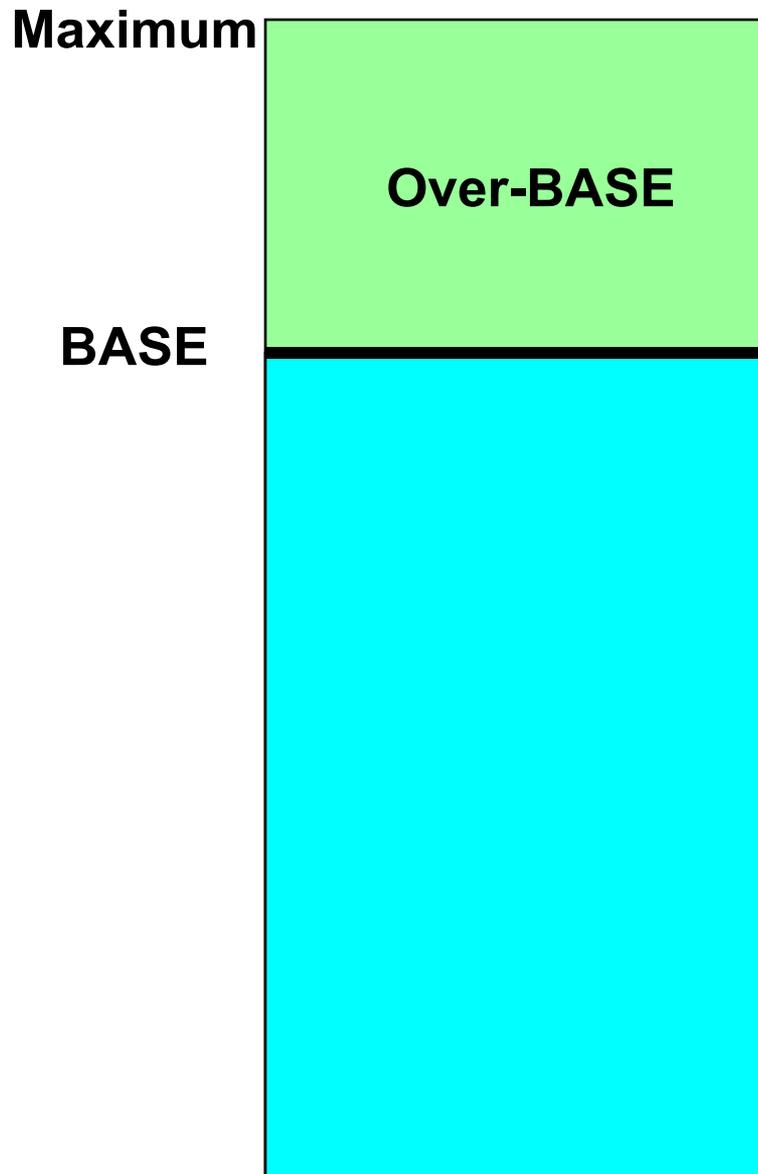
Basic Entitlement

- + 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



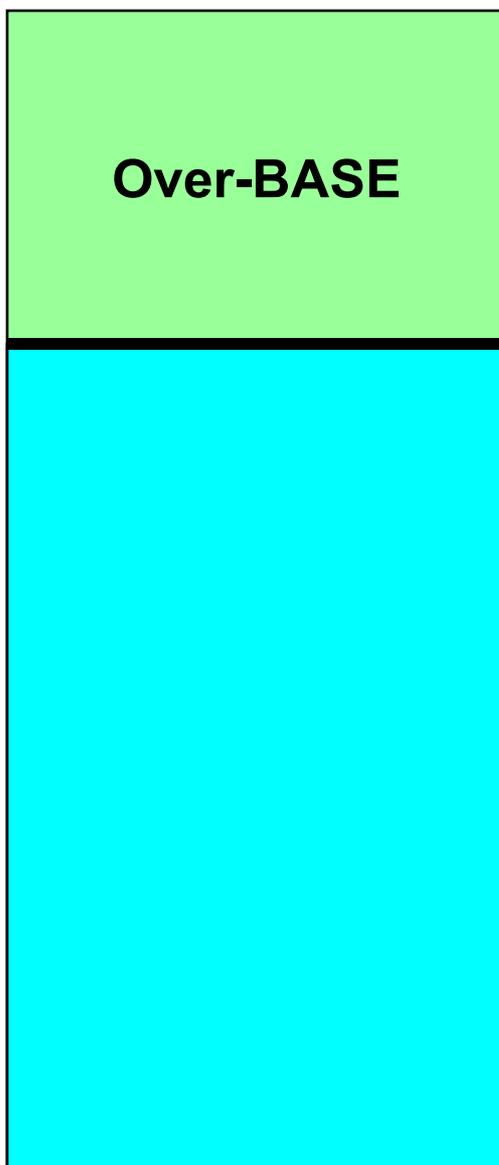


- BASE**
- 80% Per-Student Entitlement**
 - 80% Basic Entitlement**
 - 100% Quality Educator Payment**
 - 100% At-Risk Student Payment**
 - 100% Indian Education for All Payment**
 - 100% Amer Indian Achvmnt Gap Payment**
 - 100% Data for Achievement Payment**
 - 140% Spec Ed Allowable Cost Funding (State)**

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.

Maximum

BASE

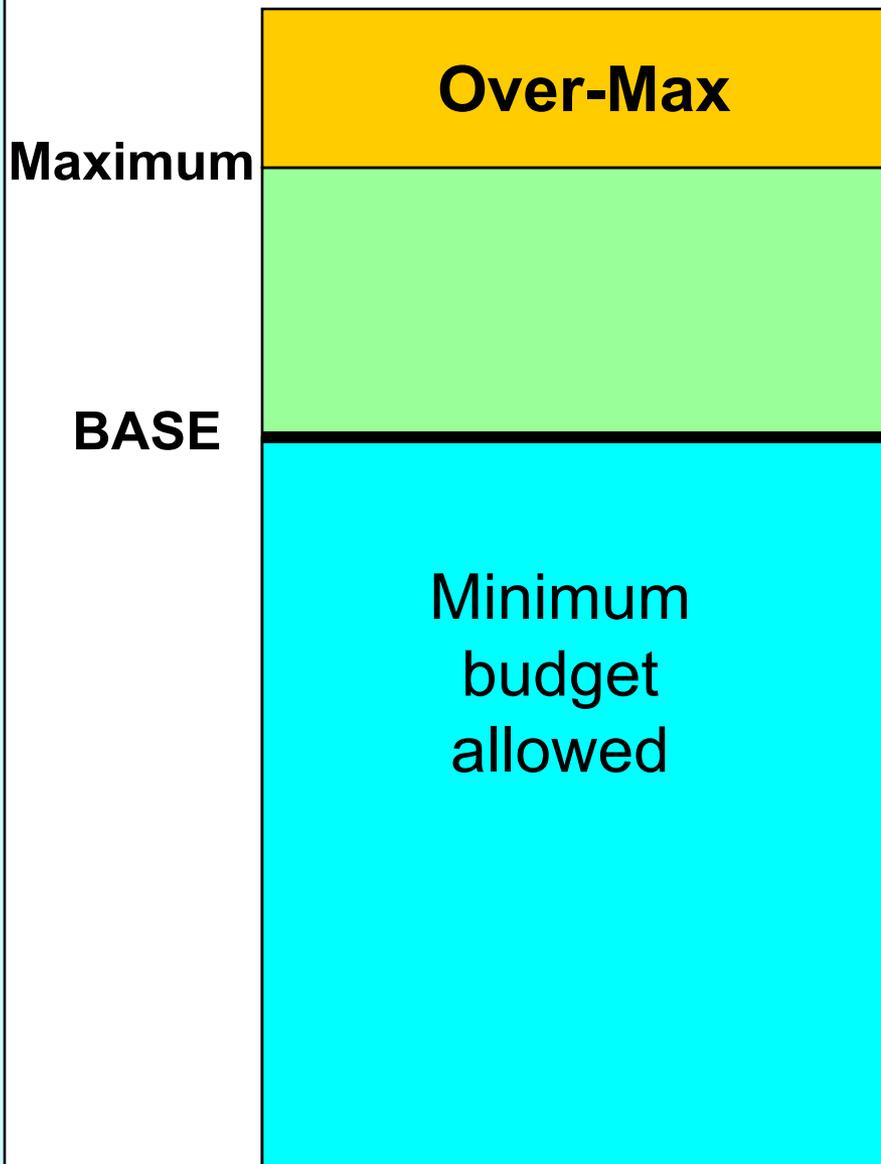


Over-BASE

Maximum

- 100% Per-Student Entitlement**
- 100% 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**
- 200% Spec Ed Allowable Cost Funding (State)**

The Maximum for a district is based on state entitlements that are driven by enrollment and other factors. From 175% to 200% of the state funding for special education is also included in the Maximum, depending on the district's previous costs of special education.



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

A school district may adopt a general fund budget within the “equalized” range between the BASE and Maximum.

The BASE is the minimum legal budget for a district.

Highest Budget Without a Vote

General Fund Budget Limits

Over-BASE portion

Without a vote:

Prior Yr Over-BASE Tax Levy Amt

Highest Levy Over-BASE authorized or imposed in the past 5 years

+ Prior Year Excess Reserves Used to Fund Over-BASE

+ Estimated Tuition Revenue

+ Oil & Gas Revenue Budgeted in GF BASE

Allows any amount of O&G to be estimated to the BASE or Over-BASE.

+ Flexible Non-Voted Levy Authority

BASE

7/1/2020 →

Highest Budget With a Vote

Vote Required for Increase in Over-BASE Tax Levy

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

Requires voter approval to increase the over-BASE levy.

Over-BASE portion

Without a vote:

Highest Over-BASE tax levy authorized or imposed in the past 5 years

+ Prior Year Excess Reserves Used to Fund Over-BASE

+ Estimated Tuition Revenue

+ Oil & Gas Revenue Budgeted in GF BASE

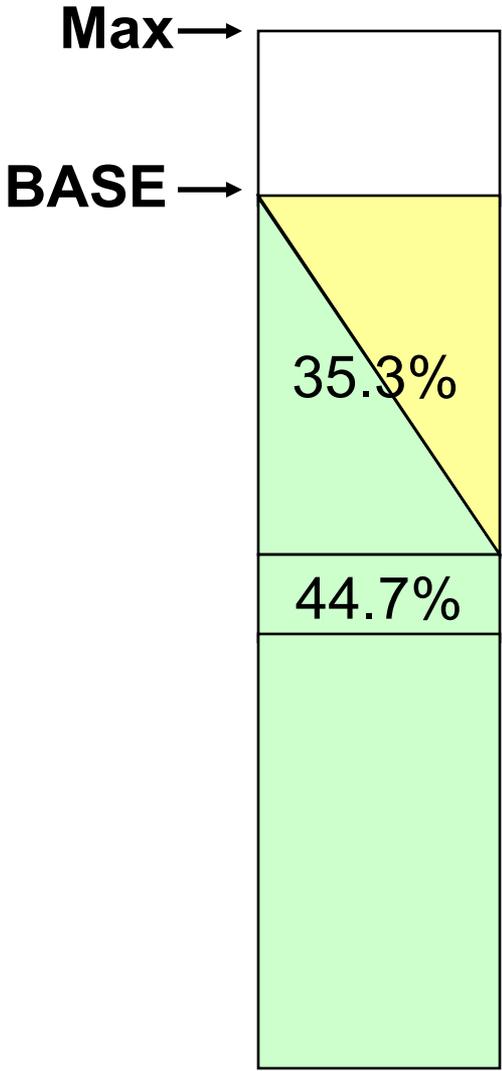
+ Flexible Non-Voted Levy Authority

BASE

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General Fund Budget Limits

Funding the BASE Budget



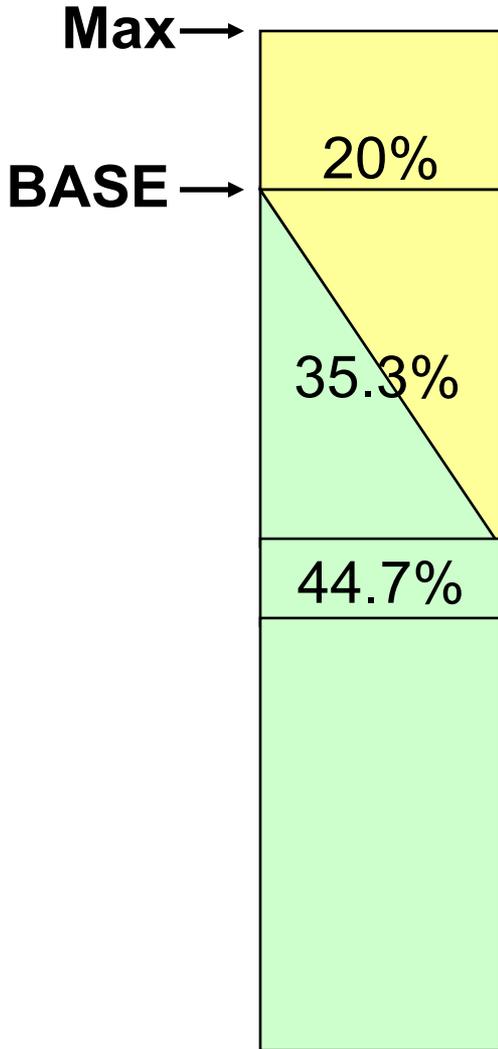
Local Mills
 Guaranteed Tax Base Aid
 Fund Balance Reappropriated
 Non-Levy Revenue

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

Funding the Maximum Budget

General Fund Revenues



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

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

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
\$3,063,220,961 (2019 tax year)
- State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$27.95 (FY21) of taxable valuation at the elementary level and \$53.55 (FY21) at the high school level to fund that budget.
- The GTB level is recalculated each year.

Example: Havre Elementary

FY 21 Statewide GTB Ratio

Elementary districts: \$ 27.95

Havre Elementary

GTB Budget area: \$ 2,855,281

Guaranteed Tax Base: \$ 79,805,115

Taxable Valuation: \$ 22,356,902

FY21 GTB subsidy/mill: \$ 57,448

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.
- To compensate school districts, the multiplier that is used to calculate the **Statewide GTB Ratio** was raised to 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

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.
- FY21 appropriation \$377,675

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



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 \$33.90 /ANB (FY21)
 - Each HS mill raises \$83.69/ANB (FY21)
- FY20 Co Retirement GTB: \$42,720,252

Debt Service Fund

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

Debt Service Assistance Payment

- 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 \$39.23 (FY21)
- HS mill value/ANB \$96.83 (FY21)
- \$2.5 million appropriated for FY 21

Capital Projects Funds

Building Fund (non-budgeted fund):

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

Building Reserve Fund (budgeted fund):

- Voter-approved building or construction projects (voted levies)
- Transfers for School safety projects
- State Major Maintenance Aid and permissive levy

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

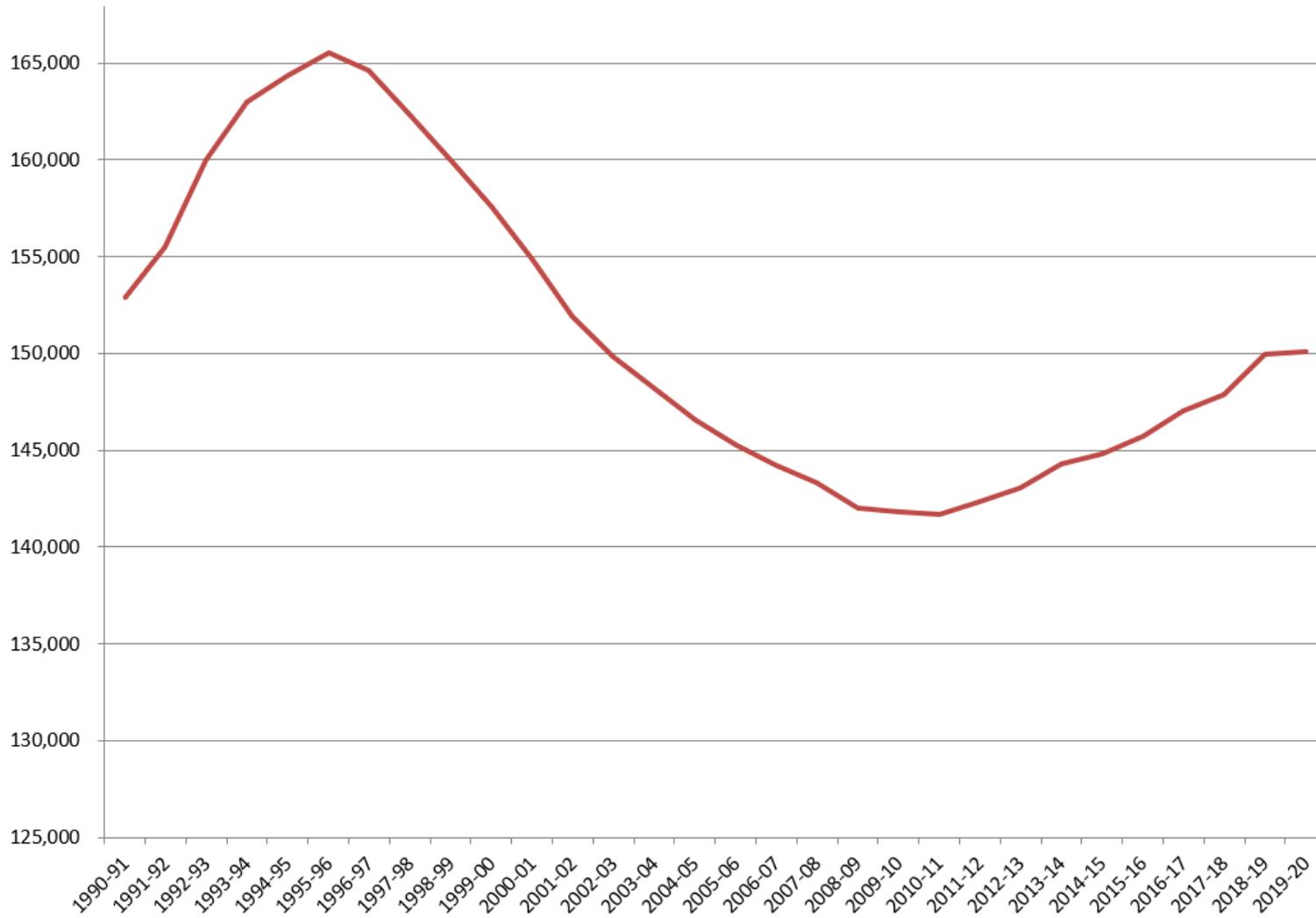
Non-Budgeted:

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

References



Statewide Enrollment 1991-2020



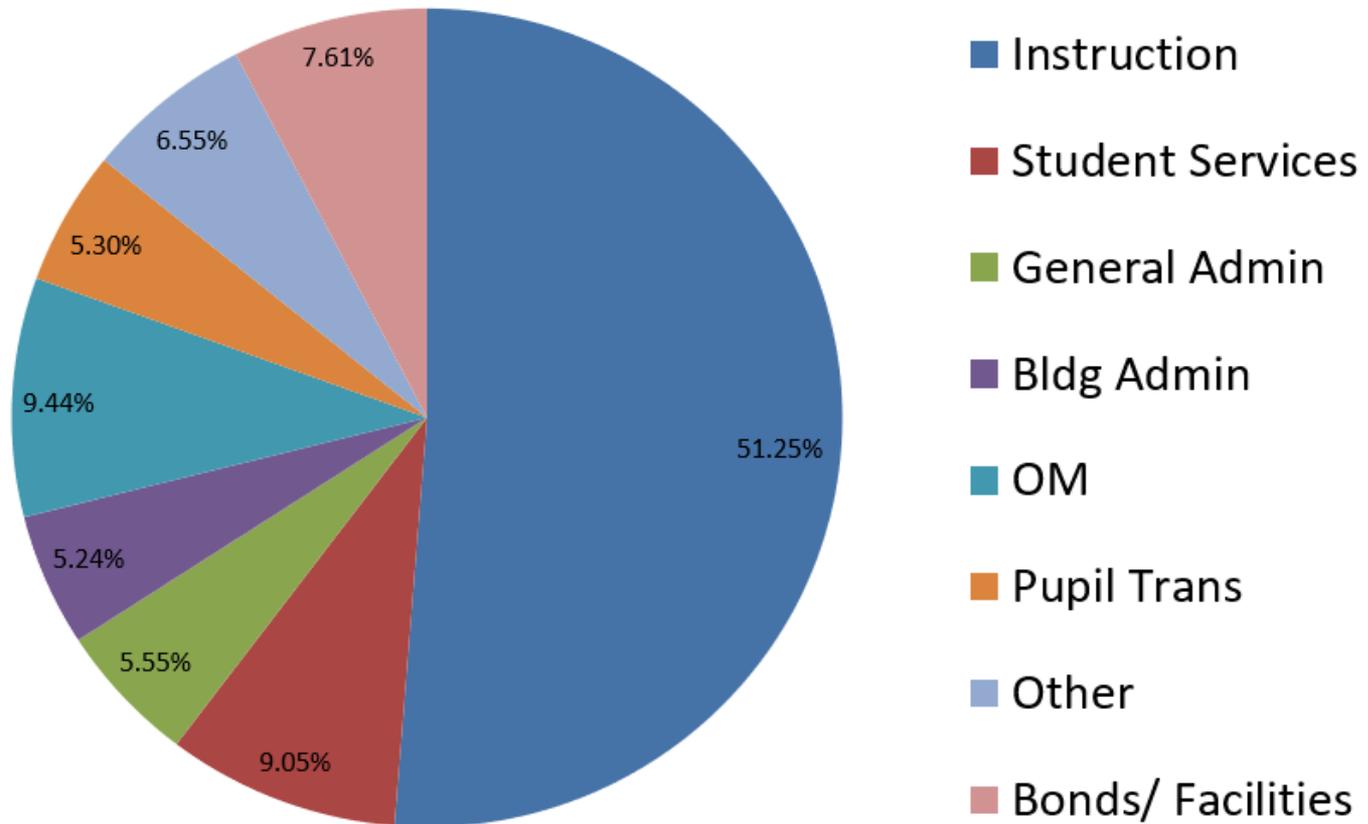
General Fund Budget Categories

Number of Districts

Percent Group	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
At Base	51	49	49	48	48	46	45	44	45	44
< 90%	45	42	43	47	48	52	47	50	49	56
90 to 97%	80	78	74	89	83	85	88	81	87	82
97 to Max	127	84	89	95	91	96	80	76	75	61
Over Max	114	161	156	128	136	125	141	148	145	157
Grand Total	417	414	411	407	406	404	401	399	401	400

EXPENDITURES by “FUNCTION”

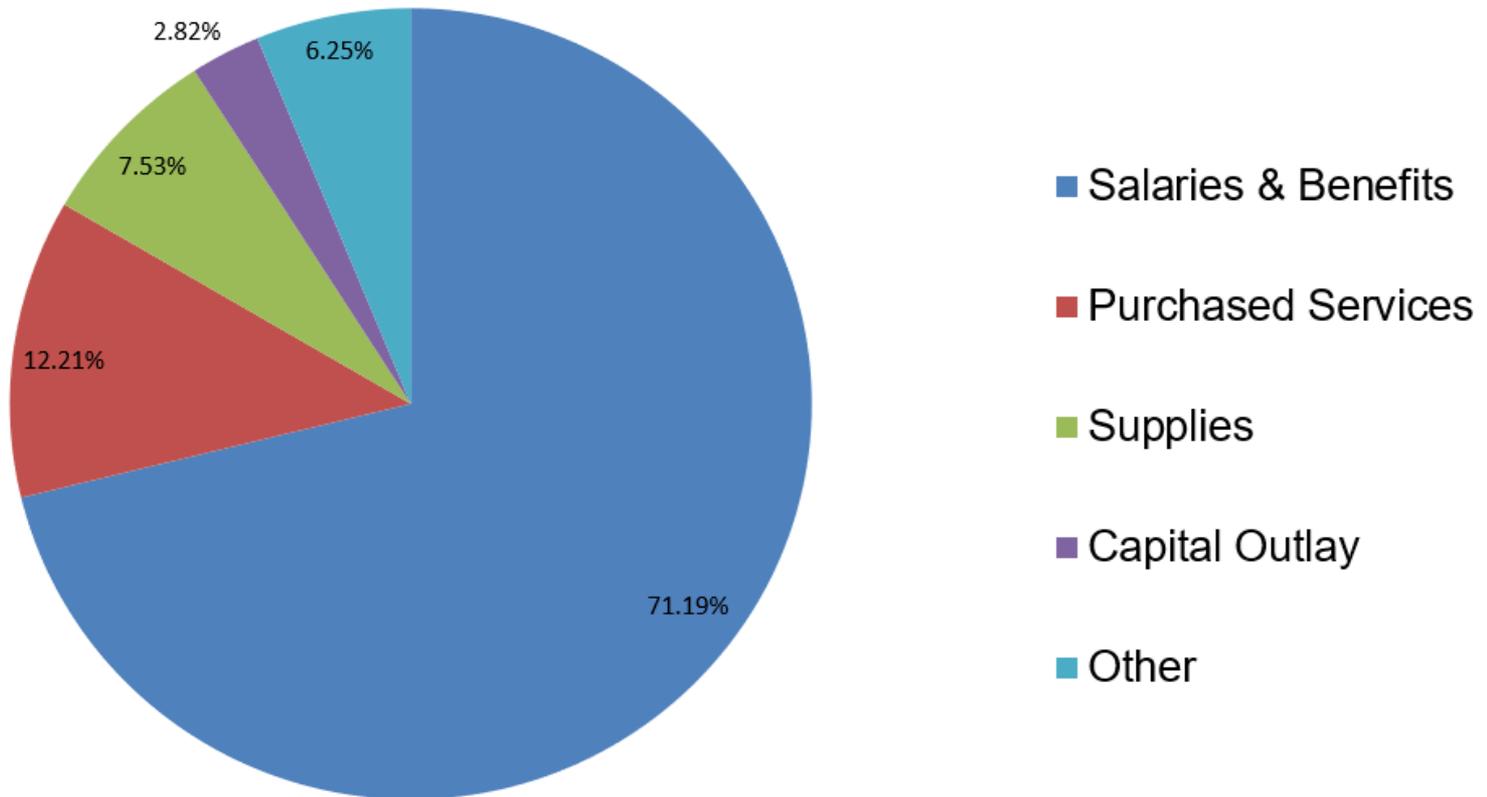
Expenditure Categories FY19



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

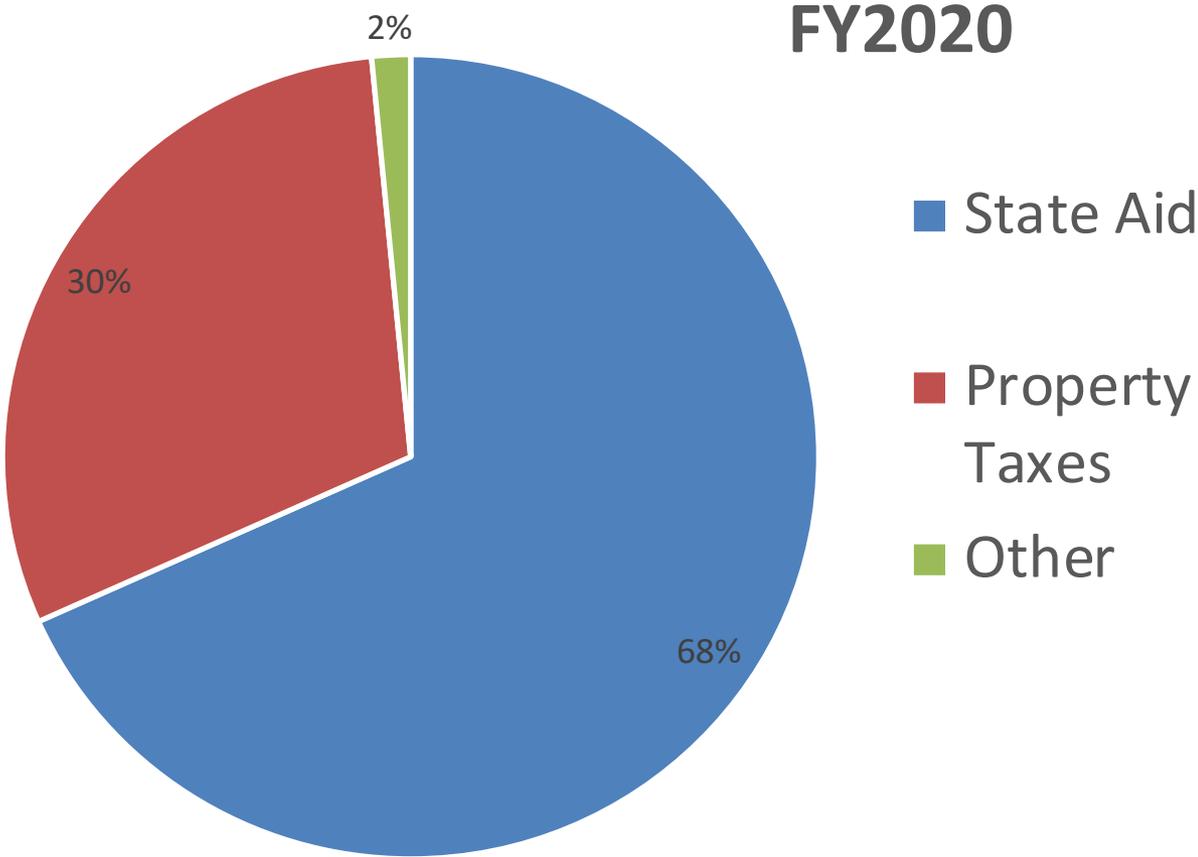
EXPENDITURES by “OBJECT”

Expenditure Categories FY2019



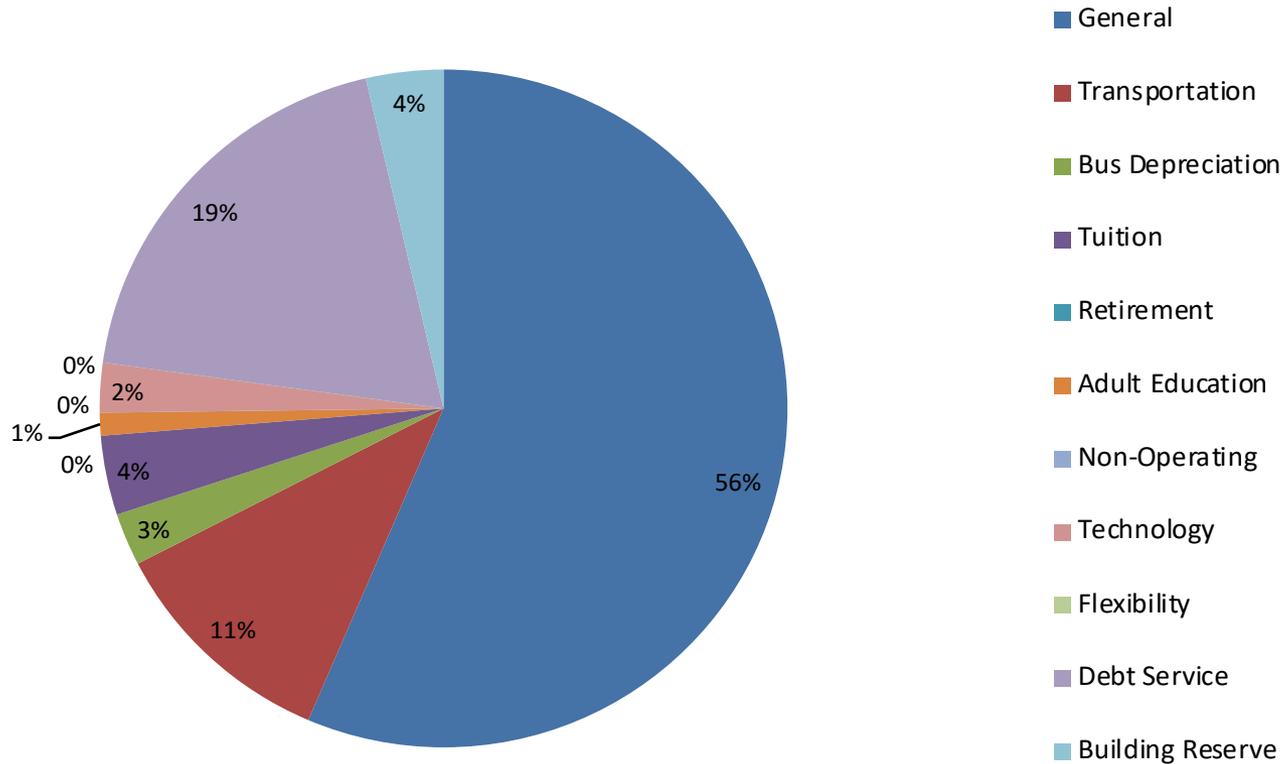
Source: Per Pupil:
<http://www.opi.mt.gov/pub/index.php?dir=School Finance/OPICoreDataFiles/PerPupil/>

District General Fund Revenues



District Property Tax FY2020

Property Tax by Fund



District Property Tax FY2020

Fund	Property Taxes	Property Tax %
General	\$348,057,857	56.43%
Transportation	\$67,802,819	10.99%
Bus Depreciation	\$15,436,320	2.50%
Tuition	\$23,327,158	3.78%
Retirement	\$0	0.00%
Adult Education	\$6,719,110	1.09%
Non-Operating	\$0	0.00%
Technology	\$14,586,683	2.37%
Flexibility	\$0	0.00%
Debt Service	\$118,409,828	19.20%
Building Reserve	\$22,409,945	3.63%
Total All Funds	\$616,749,720	100.00%

Questions?

Recommended Resource:

[Understanding Montana School Finance and School District Budgets](#)

OPI School Finance Division, May 2020