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Basics of School Funding

by OPI School Finance Division

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Montana
Office of Public Instruction
Denise Juneau, State Superintendent

Budgeted/Non-Budgeted Funds

Budgeted Funds (11 Funds)

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



Budgeted/Non-Budgeted Funds

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



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, December (**New 2014**) and February of the previous school year.



ANB = Average Number Belonging

Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Adjusted for
part-time students

WINTER ENROLLMENT
(1st Monday in December)

Adjusted for
part-time students

SPRING ENROLLMENT
(1st Monday in February)

Adjusted for
part-time students

Total of 3 counts
Divided by 3
Times $\frac{180 + \text{PIR Days}}{180} = \text{ANB}$

(SB175) 2013



3 Year Average ANB

- **3 year average ANB (HB63 2005)** - An average ANB over the most recent 3-year period, calculated by:
 - (a) adding the current year ANB for the ensuing fiscal year to the current ANB for each of the previous 2 fiscal years; and
 - (b) dividing the sum by three.



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 (New FY2014)



Entitlements (FY14 & FY15)

Basic Entitlement		Additional ANB	Basic Entitlement Increment
Elementary	\$ 40,000	25	\$ 2,000
Middle School	\$ 80,000	45	\$ 4,000
High School	\$ 290,000	80	\$ 12,000

Per ANB Entitlement

	FY14	FY15
Elementary		Elementary
\$5,120 - \$0.20/ANB to 1,000 ANB		\$5,226 - \$0.20/ANB to 1,000 ANB
High School		High School
\$6,555 - \$0.50/ANB to 800 ANB		\$6,691 - \$0.50/ANB to 800 ANB

Special Education Block Grant

	FY14	FY15
Instructional	\$150.41/ANB	\$152.25/ANB
Related-Services	\$ 50.13/ANB	\$ 50.75/ANB



Special Education

- **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 on a per Current ANB basis not based on the number of students with disabilities.
- State Special Education Appropriation
\$42,891,298 FY15



Quality Educator

Quality Educator is defined as a person who holds a valid certificate and is employed by a school District or Coop 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 receives a \$3,042 payment 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.

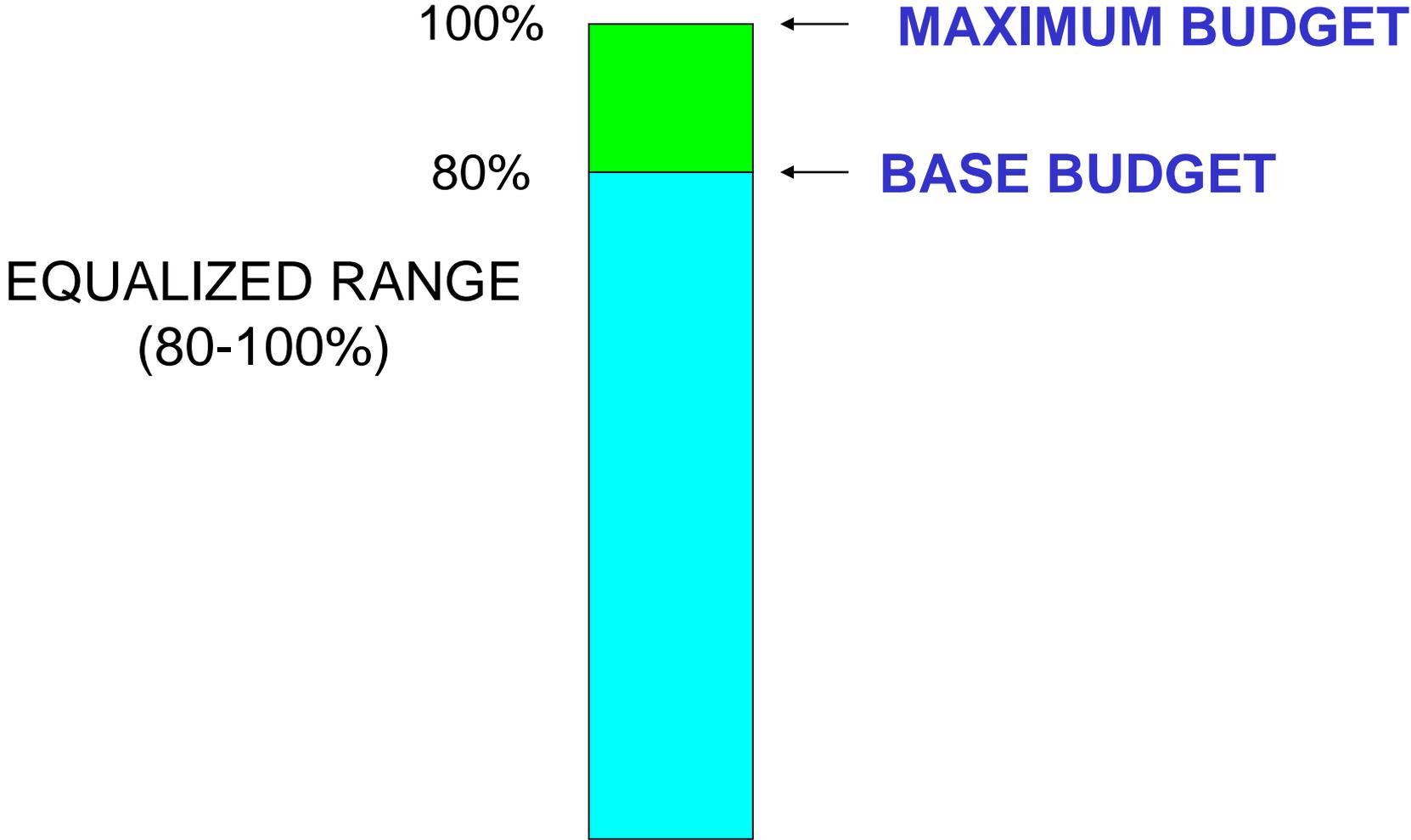


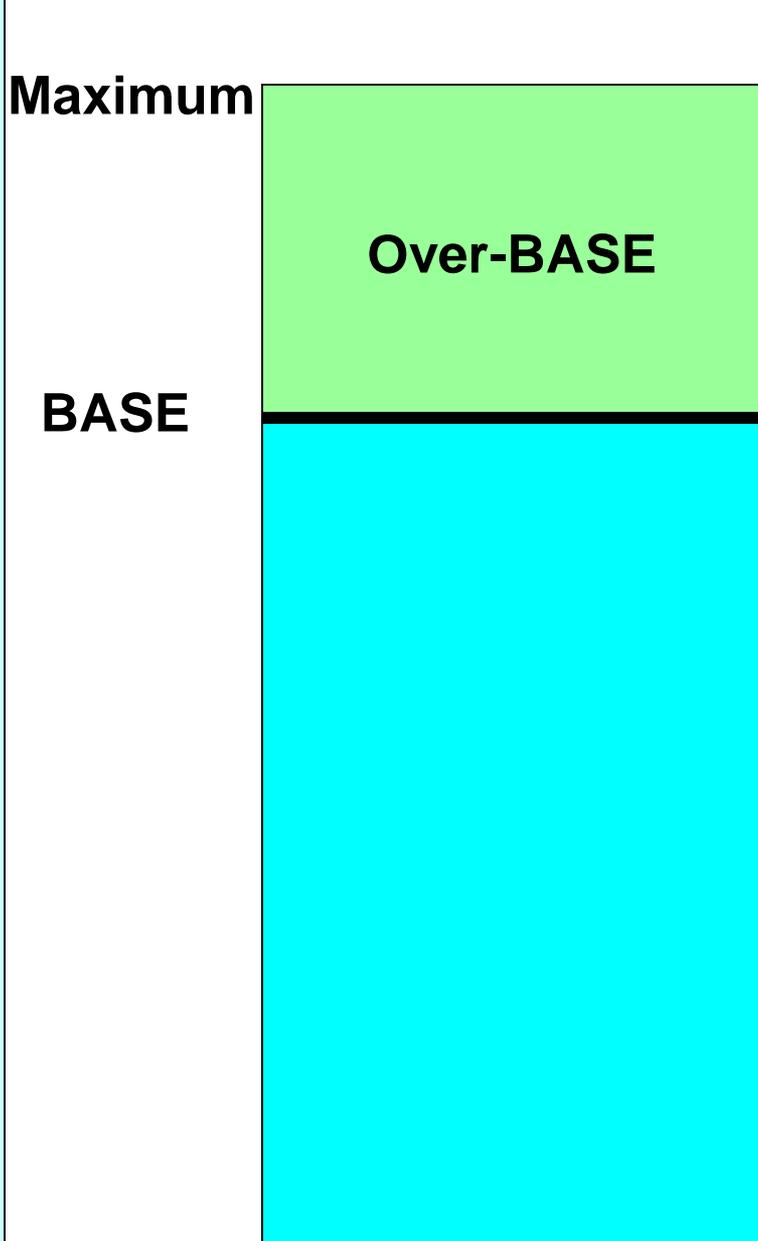
General Fund Budget Elements

- Quality Educator Payment
FY15 \$3,042 per educator
- American Indian Achievement Gap Payment
FY15 \$200 per American Indian Student
- Indian Education for All Payment
FY15 \$20.40 per ANB min \$100 district
- At Risk Payment
FY15 \$5,149,426
Distributed based on Title I Allocations
- Data for Achievement Payment
FY15 \$15 per ANB (SB175) 2013



General Fund Budget Limits

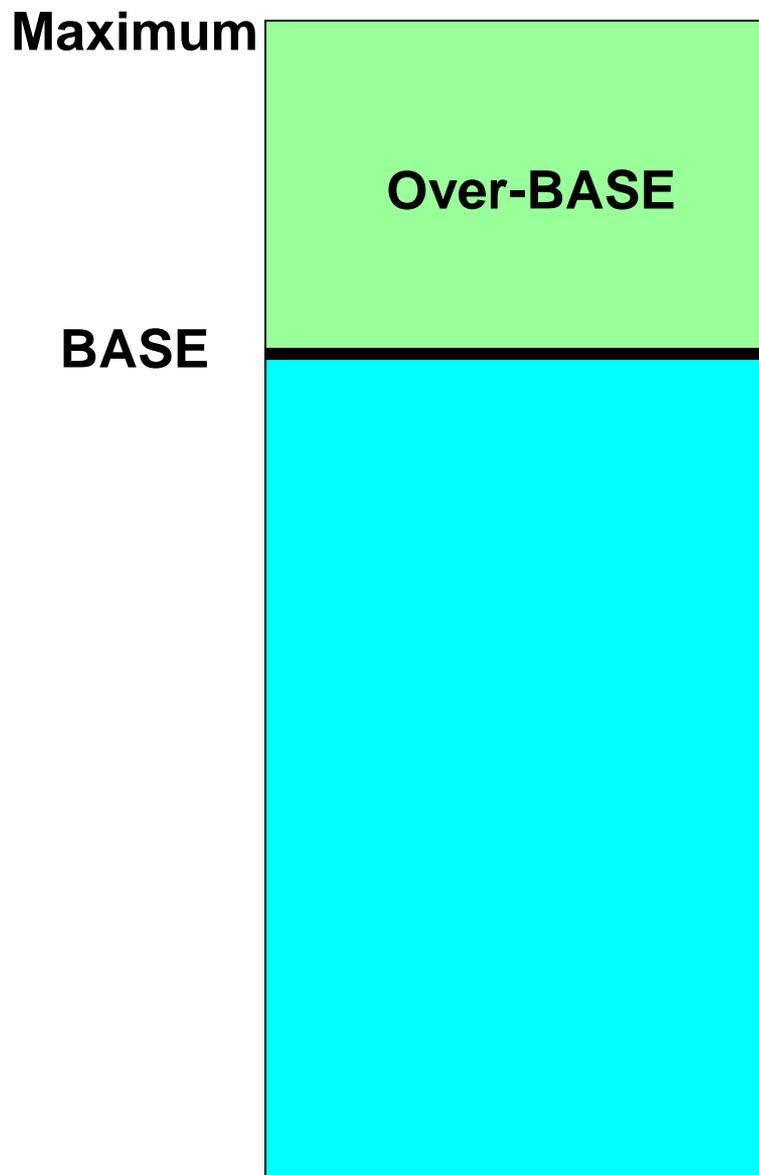




- Maximum**
- 100% Per-Student Entitlement**
 - 100% Basic Entitlement**
 - 100% Quality Educator Payment**
 - 100% At-Risk Student Payment**
 - 100% Indian Education for All Payment**
 - 100% Amer Indian Achvmnt Gap Payment**
 - 100% Data for Achievement Payment**
 - 200% Spec Ed Allowable Cost Funding**

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.





- 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**

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.



Highest Budget Without a Vote

General Fund Budget Limits

Without a vote:

Prior Yr Over-BASE Tax Levy Amt

SB329- 2011 Session Changes this language to Highest Levy OB Authorized or Imposed In the past 5 years

+ Prior Yr Excess Reserves Used to Fund Over-BASE

+ Estimated Tuition Revenue

+ Up to 50% of Oil & Gas Revenue Budgeted in GF

+ Flexible Non-Voted Levy Authority

(SB175) 2013 Session

Over-BASE portion

BASE
↓



Highest Budget With a Vote

Over-BASE portion

Without a vote:
Highest Levy OB
Authorized or Imposed
In the past 5 years

+ Prior Yr Excess
Reserves Used to
Fund Over-BASE

+ Estimated Tuition
Revenue

+ Up to 50% of the Oil
& Gas Revenue
Budgeted in the GF

+ Flexible Non-Voted
Levy Authority

**Vote Required
for Increase in
Over-BASE Tax
Levy**

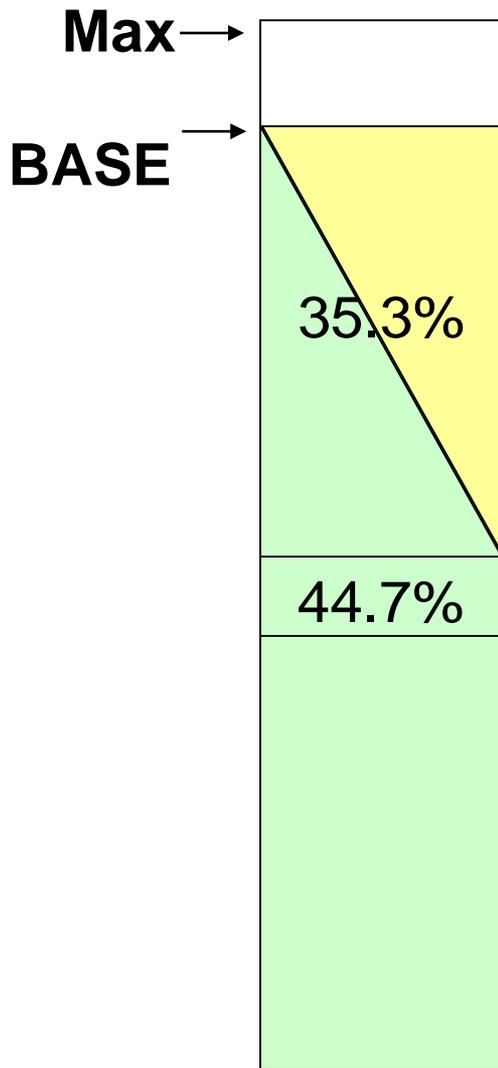
**A district may adopt a
general fund budget up to
the maximum general fund
budget or the previous
year's general fund budget,
whichever is greater.**

**Requires voter approval to
increase the over-BASE
levy.**

BASE
→



Funding the BASE Budget



Local Mills

Special Ed Match Amount (40%)

Guaranteed Tax Base Aid

Fund Balance Reappropriated

Non-Levy Revenue*

Natural Resources Development Pymt

Direct State Aid (44.7% of Basic & Per-ANB)

Quality Educator Payment

At-Risk Student Payment

Indian Ed for All Payment

Amer. Indian Achvmnt Gap Payment

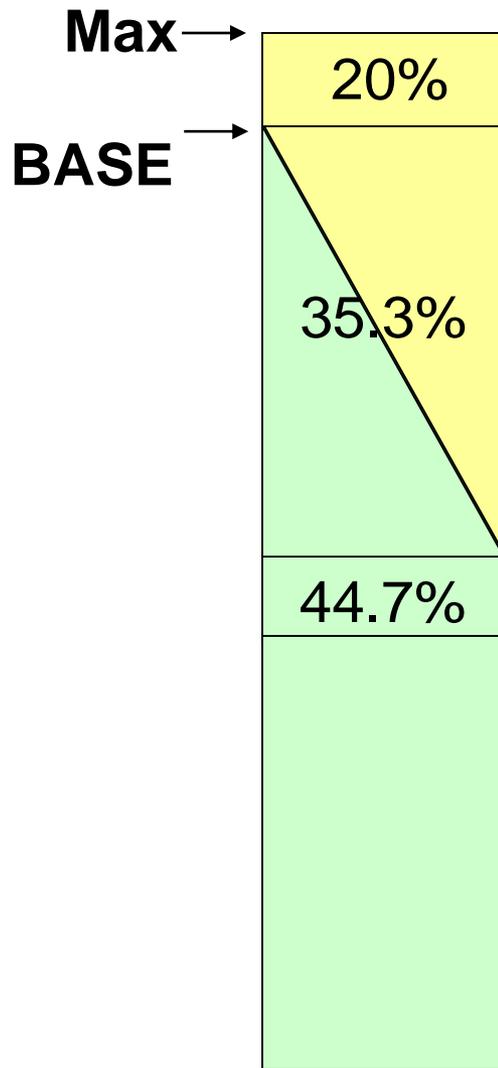
Data for Achievement Payment

State Special Ed Allowable Cost Payment

*at least 12.5% of Oil & Gas revenue received in all funds in the prior year

(SB175) 2013

Funding the Maximum Budget



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

Local Mills

Special Ed Match Amount (40%)

Guaranteed Tax Base Aid

Fund Balance Reappropriated

Non-Levy Revenue*

Natural Resources Development Pymt

Direct State Aid (44.7% of Basic & Per-ANB)

Quality Educator Payment

At-Risk Student Payment

Indian Ed for All Payment

Amer. Indian Achvmnt Gap Payment

Data for Achievement Payment

State Special Ed Allowable Cost Payment

*25% of Oil & Gas revenue received in all funds in the prior year.

50% may be applied to the OverBASE (SB175) 2013

General Fund Revenues

How Guaranteed Tax Base Works

- State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$21.73 (FY15) of taxable valuation at the elementary level and \$39.68 (FY15) at the high school level to fund that budget.

I. STATEWIDE GTB RATIO:	<u>Elementary</u>	<u>High School</u>
(a) Statewide taxable valuation (Tax Year 2013)***	2,474,575,849	2,474,575,849
(b) 2013-14 Statewide GTB subsidized budget area: 35.3% of the Basic Entitlement + 35.3% of the Per-ANB Entitlement + 40% of special education allowable cost payment (including prorated coop costs)	219,797,782.99	120,362,485.36
(c) GTB ratio: [(a) divided by (b)] x 193.00%	21.73	39.68

How Guaranteed Tax Base Works

II. DISTRICT GTB SUBSIDY:

Elementary

(a) Statewide GTB ratio (from c above)	21.73
(b) 2013-14 District GTB subsidized budget area: 35.3% of the Basic Entitlement + 35.3% of the Per-ANB Entitlement	1,662,270.75
(c) 40% of 2013-14 District special education allowable cost payment plus district prorated coop cost payment	150,380.56
(d) District's FY 2014-15 guaranteed tax base (a) x [(b) + (c)]	39,388,912.97
(e) District taxable valuation (Tax Year 2013)***	12,137,620
(f) If (d) is greater than (e), then: DISTRICT's FY2014-15 GTB subsidy per BASE mill [(d) - (e)] x .001	27,251.00

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

Investment earnings*

State Reimbursements (for tax law changes)*

Oil & Gas*

Coal payments

Block Grants*

-Non Levy Revenues to the OverBASE

State Paid Tuition

Oil & Gas

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



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

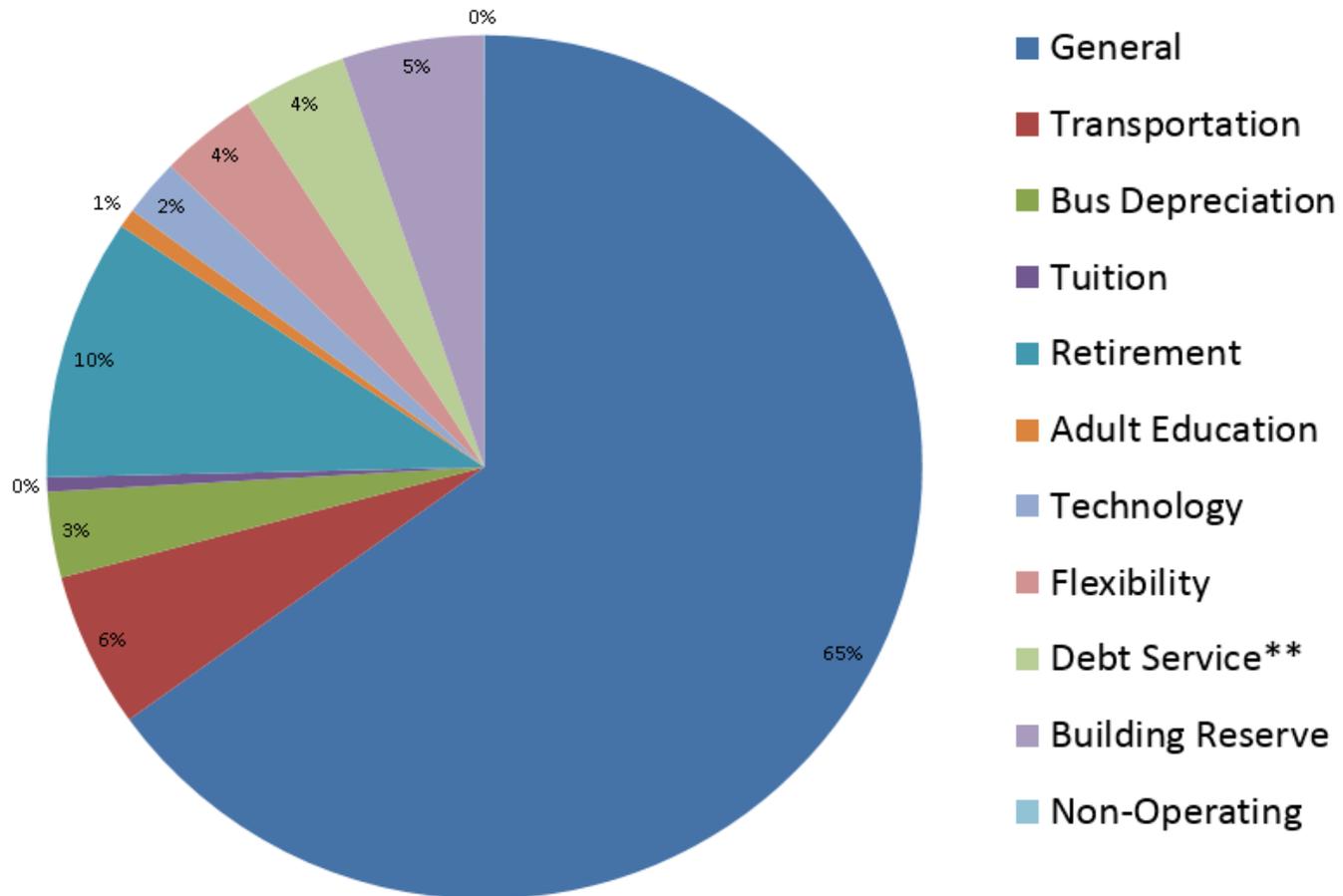
Purpose: Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



Special Revenue Funds: Budgeted FY15

Adopted Budget by Fund



Special Revenue Funds: Budgeted FY15

Fund	Total FY15 Adopted Budget	% of Total Budgets	*Anticipated State Revenue	Anticipated County Revenue	Anticipated Non- Levy Revenue	Anticipated Local Property Tax Revenue	Voted (V) or Permissive (P) Levy?
General	1,040,790,830	65.06%	664,070,829		76,610,316	295,570,015	V, P
Transportation	93,071,517	5.82%	13,610,470	13,523,997	5,375,445	51,357,398	P
Bus Depreciation	51,269,821	3.21%			339,174	12,306,206	P
Tuition	8,588,856	0.54%			39,457	6,120,708	P
Retirement	156,735,950	9.80%	35,319,753	144,197,177	45,349		P
Adult Education	11,220,710	0.70%			151,620	5,282,320	P
Technology	34,347,352	2.15%	999,931		4,068,587	12,582,466	V
Flexibility	58,249,524	3.64%			15,697,145	-	V
Debt Service**	61,294,457	3.83%	6,822,382		4,786,536	47,103,156	V
Building Reserve	83,628,769	5.23%			11,219,036	12,559,287	P
Non-Operating	440,689	0.03%			27,242	38,372	V



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 \$28.64/ANB (FY15)
 - Each HS mill raises \$68.00/ANB (FY15)
- FY15 Co Retirement GTB: \$36,326,975



Other Special Revenue Funds

Budgeted:

- Bus Depreciation: Financing replacement buses
- Tuition: Costs of students who attend school outside their district
- 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



Debt Service Funds

Debt Service Fund:

- Principal, interest on bonds and Special Improvement Districts (SIDs)
- 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 \$33.14 (FY15)
- HS mill value/ANB \$78.68 (FY15)
- \$8.56 million is appropriated each year of the 2014 biennium.



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
- Budgeted Fund

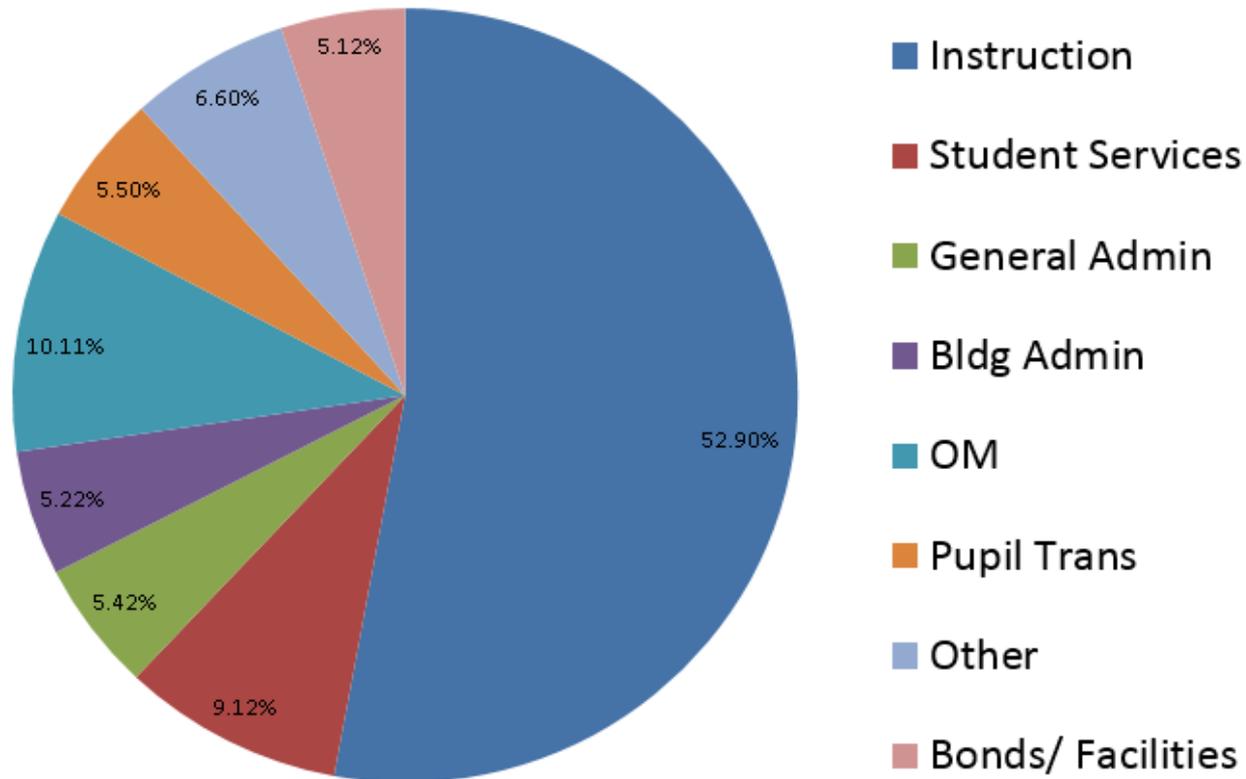


References



EXPENDITURE “FUNCTION”

Expenditure Categories FY14



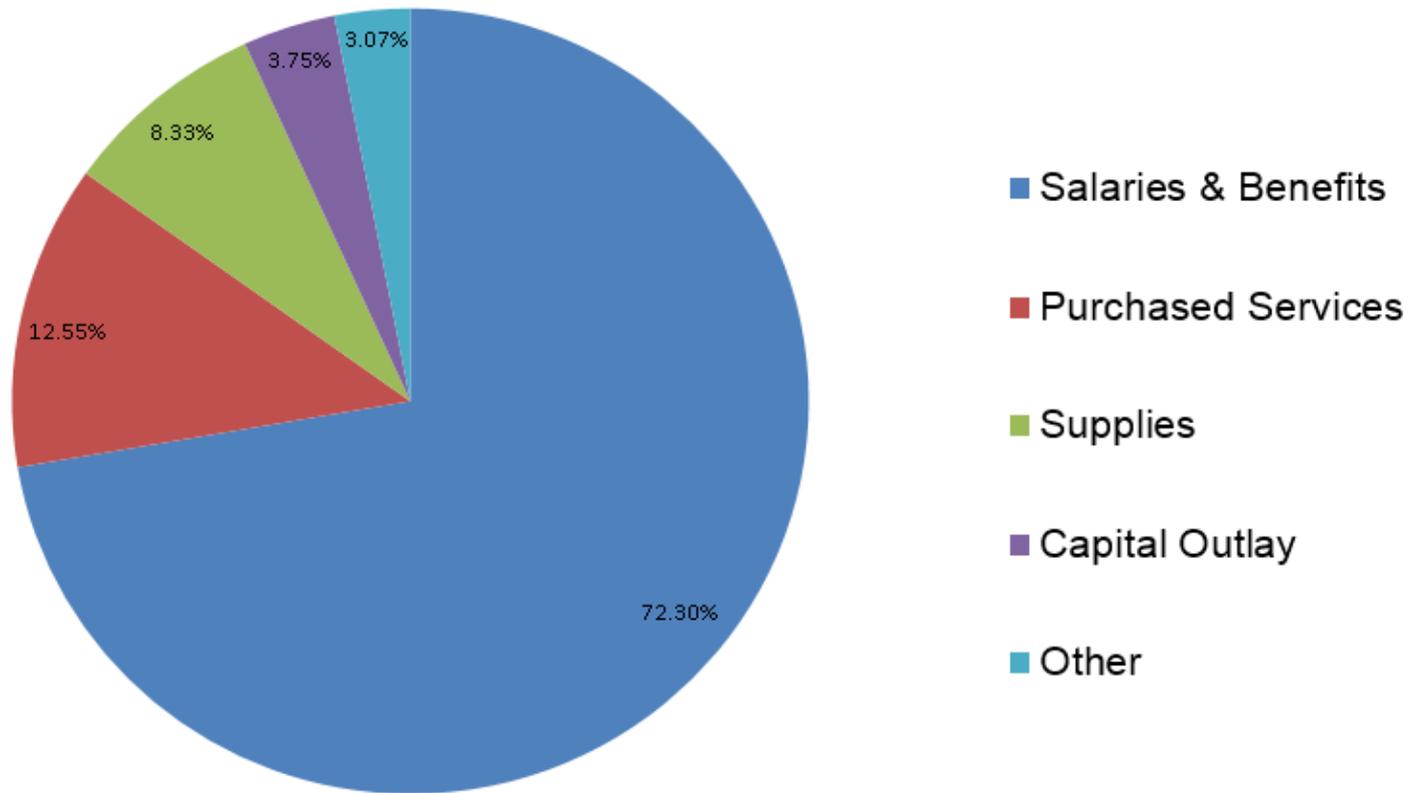
Source: Per Pupil:

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



EXPENDITURE “OBJECT”

Expenditure Categories FY2014

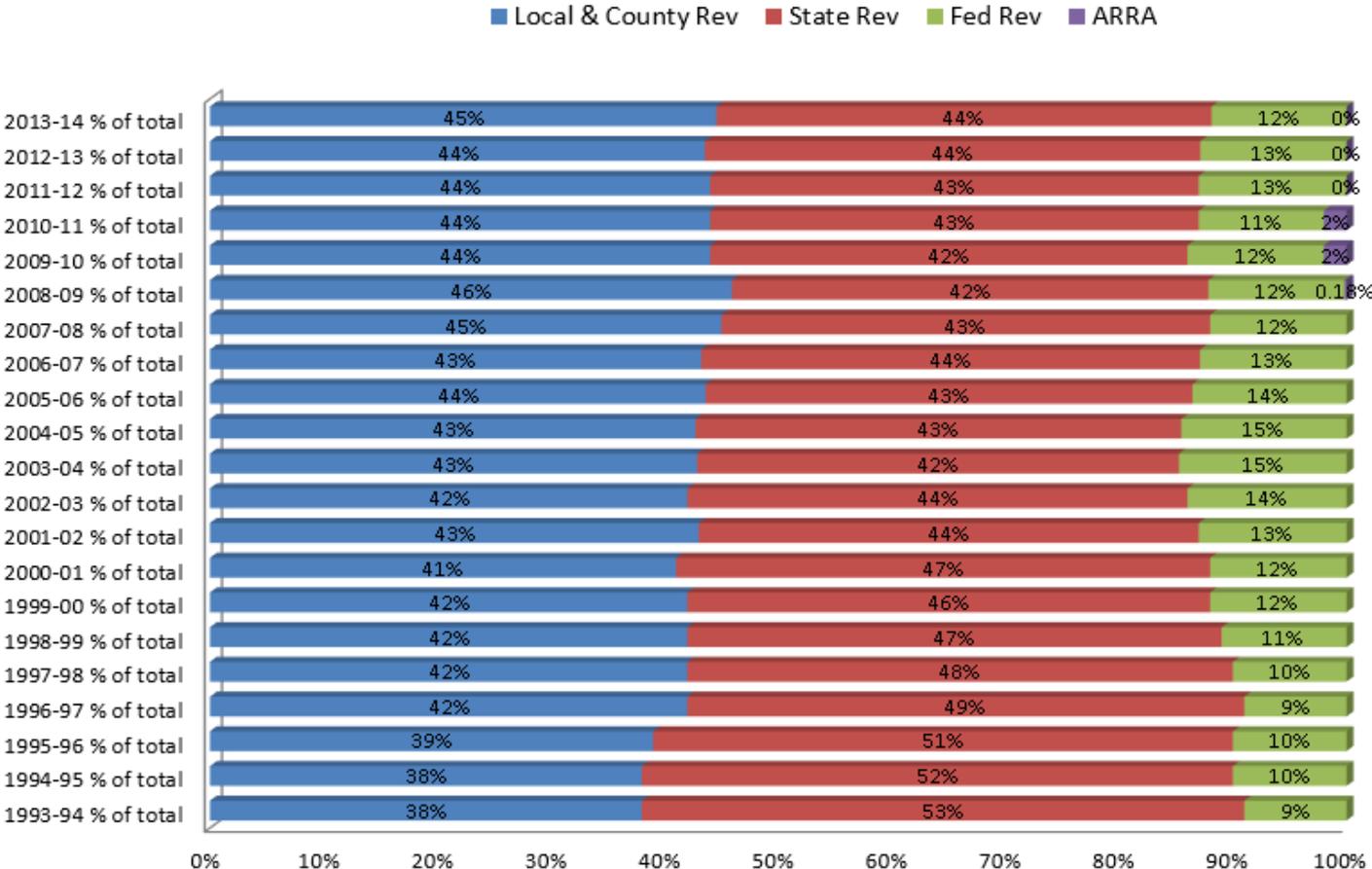


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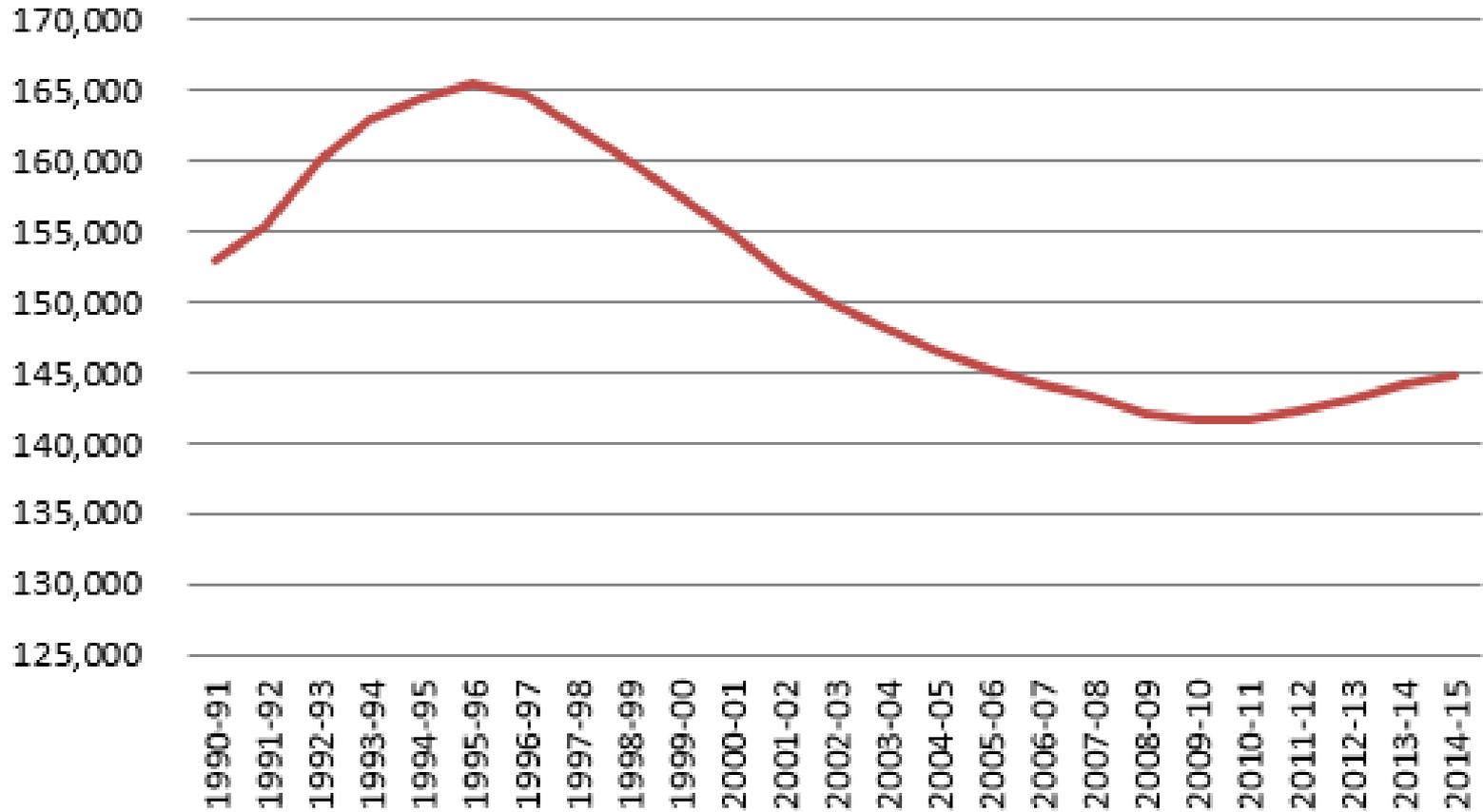
Local, State and Federal Shares



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

This chart shows revenues for all school funds

Statewide Enrollment 1991-2015



Budgeted Fund Statewide Totals

<u>Fund</u>	<u>FY15 Adopted Budgets</u>
General	\$ 1,040,790,830
Transportation	\$ 93,071,517
Bus Depreciation	\$ 51,269,821
Tuition	\$ 8,588,586
Retirement	\$ 156,735,950
Adult Education	\$ 11,220,710
Non-Operating (5 districts)	\$ 440,689
Technology	\$ 34,347,352
Flexibility	\$ 58,249,524
Debt Service	\$ 61,294,457
<u>Building Reserve</u>	<u>\$ 83,628,769</u>
Grand Total	\$ 1,559,638,475



Non-Levy Revenue – Block Grants

<u>Block Grant Type</u>	<u>FY15 Amount</u>
General Fund School Block Grant	\$ 57,860,798
Transportation Fund School Block Grant	\$ 4,079,178
Combined Fund SBG (Discretionary Placement):	
General Fund:	\$ 586,570
Transportation Fund:	\$ 117,374
Bus Depreciation Fund:	\$ 53,385
Tuition Fund:	\$ 21,852
Adult Ed Fund:	\$ 44,128
Non-Operating Fund:	\$ 1,358
Technology Fund:	\$ 1,865,322
Flexibility Fund:	\$ 3,246,927
Debt Service Fund:	\$ 110,814
Building Reserve Fund:	\$ 771,650
<u>Total Combined Fund School Block Grant</u>	<u>\$ 6,819,380</u>
Grand Total	\$ 68,759,356

Data includes OTO payments related to (SB96) 2013

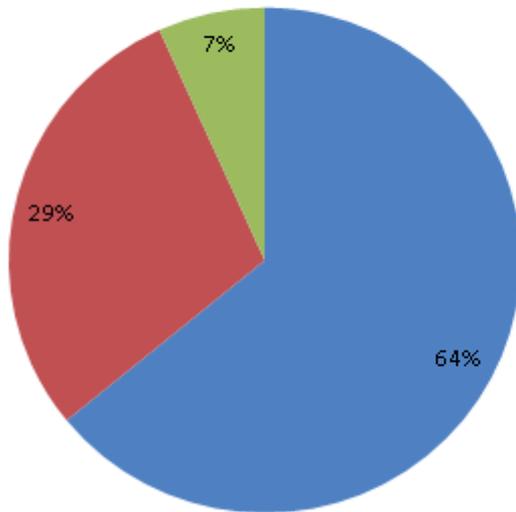


General Fund Budgets

Number of Districts

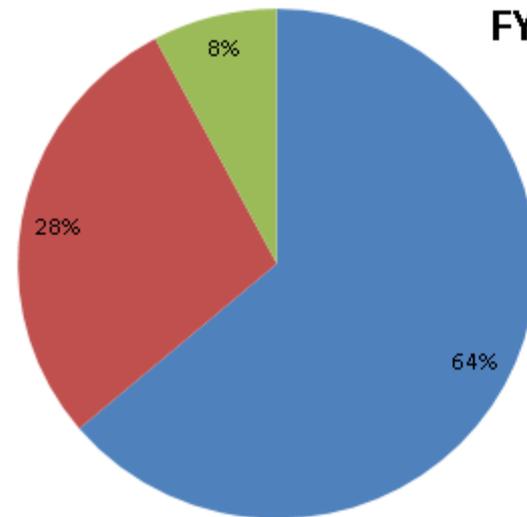
Percent Group	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Below Base	0	0	0	0	0	0	0	0	0	0	0
At Base	59	56	54	53	54	53	51	49	48	48	48
< 90%	46	54	48	45	44	44	45	42	43	47	48
90 to 97%	68	81	78	83	77	82	80	78	74	89	83
97 to Max	147	164	147	135	142	119	127	84	89	95	91
Over Max	116	75	98	105	103	119	114	161	156	128	136
Grand Total	436	430	425	421	420	417	417	414	410	407	406

School General Fund Revenues



FY2013-2014

- State Aid
- Non-Levy
- Other



FY2014-2015

- State Aid
- Property Taxes
- Other

