

# Montana School Funding Inflationary Analysis

School Funding Interim Commission

February 11<sup>th</sup>, 2026

Prepared by

Julia Pattin, LFD

Kate Johnson, LFD



# What is Inflation?



Inflation – an increase in the prices of goods and services over time



Purchasing power – the amount of goods or services you can buy with a certain amount of money; also described as the value of money



Nominal (current) dollars – the literal amount of money exchanged in a transaction or reported on a financial statement. Nominal dollars do not account for rising prices, meaning a \$100 bill today has less purchasing power than \$100 in 2008



Real (constant) dollars – currency values adjusted for inflation from a base year to reflect true purchasing power over time and to allow for accurate comparisons of economic value

If a half gallon of milk cost \$1.00 in 1990 and \$2.00 in 2026, the nominal price doubled over that time frame. Although there isn't much difference in the price of a half gallon of milk in 1990 vs. 2026, what changed is the purchasing power of a dollar – you must pay twice as many nominal dollars today as you had to in 1990 to buy the same product.



# Statutorily Defined Inflation Factor

Per **20-9-326, MCA**:

“(1) **In preparing and submitting an agency budget...** the superintendent of public instruction shall determine the inflation factor for the basic and per-ANB entitlements, the data-for-achievement payment, the per-ANB amount used to calculate the total special education allocation in 20-9-306, and the general fund payments in 20-9-327 through 20-9-330 in each fiscal year of the ensuing biennium. The inflation factor is calculated as follows:

(a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the resulting ratio to the power of one-third; and

(b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and raise the resulting ratio to the power of one-third.

(2)(a) The present law base for the entitlements referenced in subsection (1) of this section, calculated under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the inflation factor calculated pursuant to this section, **not to exceed 3%** in each year, applied to both years of the biennium.

(b) This subsection (2) does not limit the superintendent or the governor from recommending, or limit the legislature from adopting, inflationary adjustments other than those calculated in this section.”

This calculation applies to the budget request submitted to the governor by the superintendent of public instruction in September of even years. The legislature may make adjustments to the OPI budget, including the inflationary increase for schools, throughout the budgeting process. However, the legislature has often (but not always) historically adopted the budget as proposed by the superintendent.

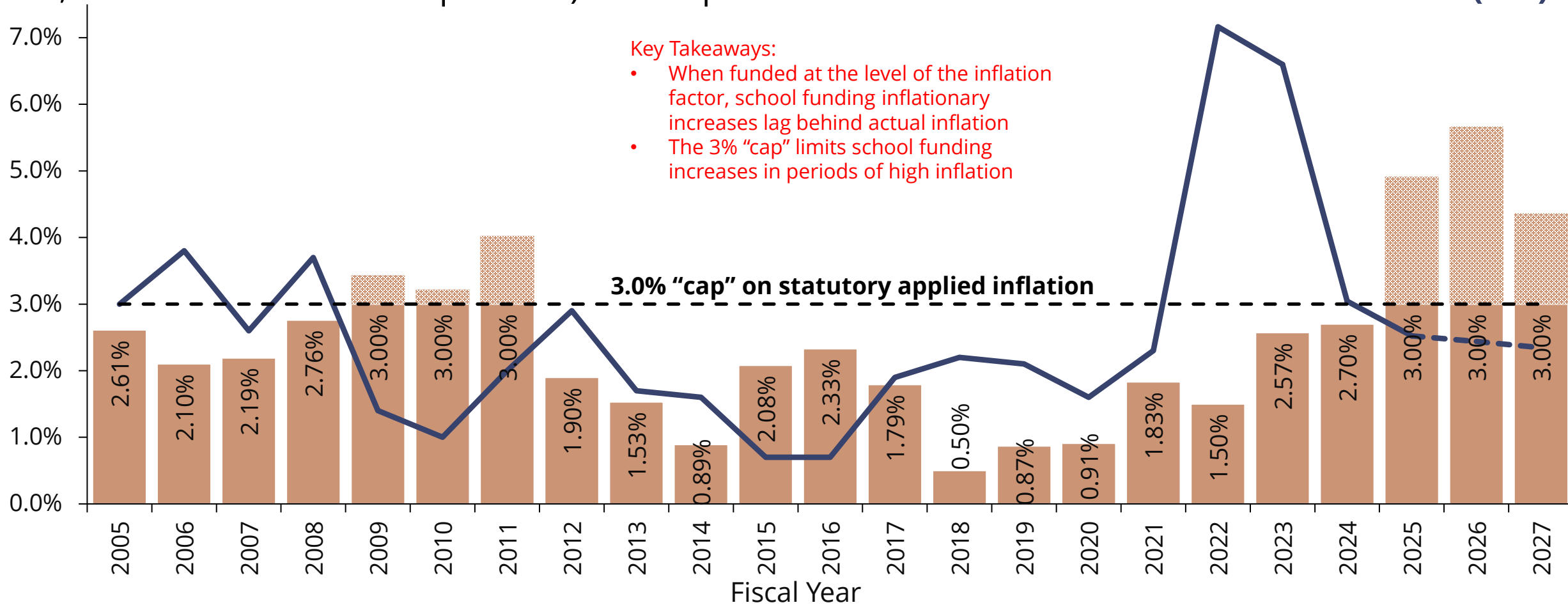
Three-year average  
of the July 1 CPI

3% “cap”

Added in HB 266 (2025); the bill also added a reporting requirement for OPI on K-12 inflationary increases

# Statutorily Defined Inflation Factor

**Present Law Statutory Applied Inflation** for K-12 Education Components (Basic Entitlements, Per ANB, and State Funded Components) as compared to **Growth in the Consumer Price Index (CPI)**



# Inflation Reconciliation (HB 266, 2025)



## School Funding Inflation Reporting Requirement Pursuant to Section 20-9-326(3), HB 266(2025)

Component Name	Biennium		Biennium		Biennium		FY 2026
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
20-9-306(2)(a) Direct State Aid	469,098,033	482,447,008	486,058,503	504,612,090	518,442,585	535,686,402	551,847,636
20-9-306(2)(c) Quality Educator Payment (district)	40,935,948	41,877,529	43,221,661	46,405,006	47,465,336	47,726,015	98,385,132
Quality Educator Payment (cooperative)	612,592	600,790	570,491	575,342	608,570	627,606	1,282,324
20-9-306(2)(d) At-Risk Student Payment	5,541,074	5,641,973	5,725,647	5,871,950	6,029,983	6,212,607	6,395,448
20-9-306(2)(e) Indian Education for All Payment	3,375,896	3,472,406	3,489,381	3,621,085	3,720,366	3,822,779	3,779,713
20-9-306(2)(f) Achievement Gap Payment	4,402,296	4,542,780	4,593,354	4,736,178	4,910,795	5,053,928	5,014,362
20-9-306(2)(g) Data-for-Achievement Payment	3,232,816	3,324,823	3,340,227	3,467,053	3,561,592	3,659,781	3,766,990
20-9-306(2)(h) Special Ed Allowable Cost (SPED) (district)	39,304,570	40,078,849	40,068,019	40,042,765	40,615,985	41,299,240	42,058,779
SPED (cooperative) (RSBG + Travel/Admin)	4,598,493	4,672,977	4,633,262	4,656,666	4,767,989	4,857,548	4,959,418
	571,101,719	586,659,136	591,700,546	613,988,136	630,123,202	648,945,905	717,489,802
Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Budget Limit ANB	153,724	155,293	153,715	155,543	155,596	155,207	155,084
State BASE Aid Element /ANB	3,715	3,778	3,849	3,947	4,050	4,181	4,626
Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Section 20-9-326(3)(a)							
Amount of Change in dollars		15,557,417	5,041,410	22,287,590	16,135,066	18,822,703	68,543,898
Amount of Change in \$ Per-Pupil		63	72	98	102	131	445
Amount of Change \$ Per-Pupil in percent		1.69%	1.89%	2.55%	2.59%	3.25%	10.65%
							22.62%
Section 20-9-326(3)(b)							
Annual CPI-U July		1.0%	5.4%	8.5%	3.2%	2.9%	2.7%
<a href="https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm">https://www.bls.gov/regions/northeast/data/consumerpriceindex_us_table.htm</a>							23.70%
Section 20-9-326(3)(c)							
Cumulative Numerical Comparison of (3)(a) and (3)(b)							1.08%

8/27/2025

# Background & Methods

- Columbia Falls Elem. School Dist. v. State of Montana (aka “Columbia Falls II”) in 2008
  - Court decision on the school funding formula after changes made in the 2005 Special Session: “This Court concludes that the State is in the process of making a good faith effort to preserve and protect Montana’s constitutional commitment to a sound public education system.”
- Examine statewide and district revenues and expenditures, total and per pupil, in nominal and real (inflation-adjusted) dollars from FY 2008 – 2025
  - Base year for inflation analysis: FY 2008
- Comparing FY 2008 – 2025 nominal and real (2008 dollars) revenues and expenditures allows us to ask: If we adjust for the rate of inflation, what would the purchasing power of our nominal expenditures have been in 2008?

# Measure of Inflation

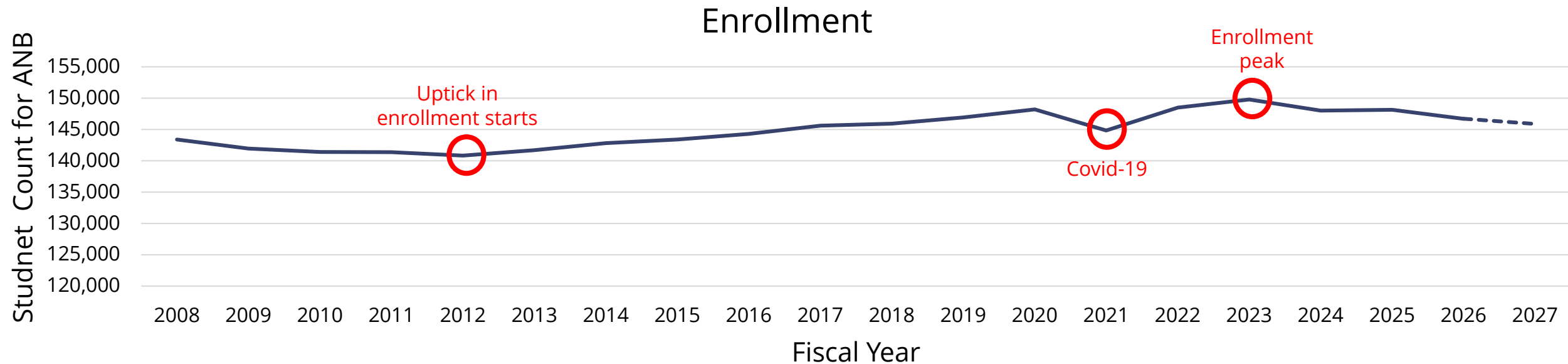
- This analysis uses the average annual inflation rate of the Consumer Price Index (CPI) to adjust nominal school revenues and expenditures to **real 2008 dollars**
  - Montana uses a three-year average of CPI in the inflationary calculation for the Superintendent's budget request for the funding formula
- Limitation: CPI is a measure of consumer spending, not producer spending
  - However, there is no one price index that measures public education costs and inflation
  - The services Producer Price Index (PPI) does not include data on K-12 education services

# Other Price Measures

- Other price measures to examine school revenues and expenditures
  - NCES Cost of Education index → identifies total school expenditures over time
  - GDP price deflator
- Price measures for school cost drivers
  - Looking further into PPI by industry → prices of new school building construction, educational supplies and materials, energy
  - Wage price indices → Employment Cost Index (BLS); Comparable Wage Index for Teachers (NCES)

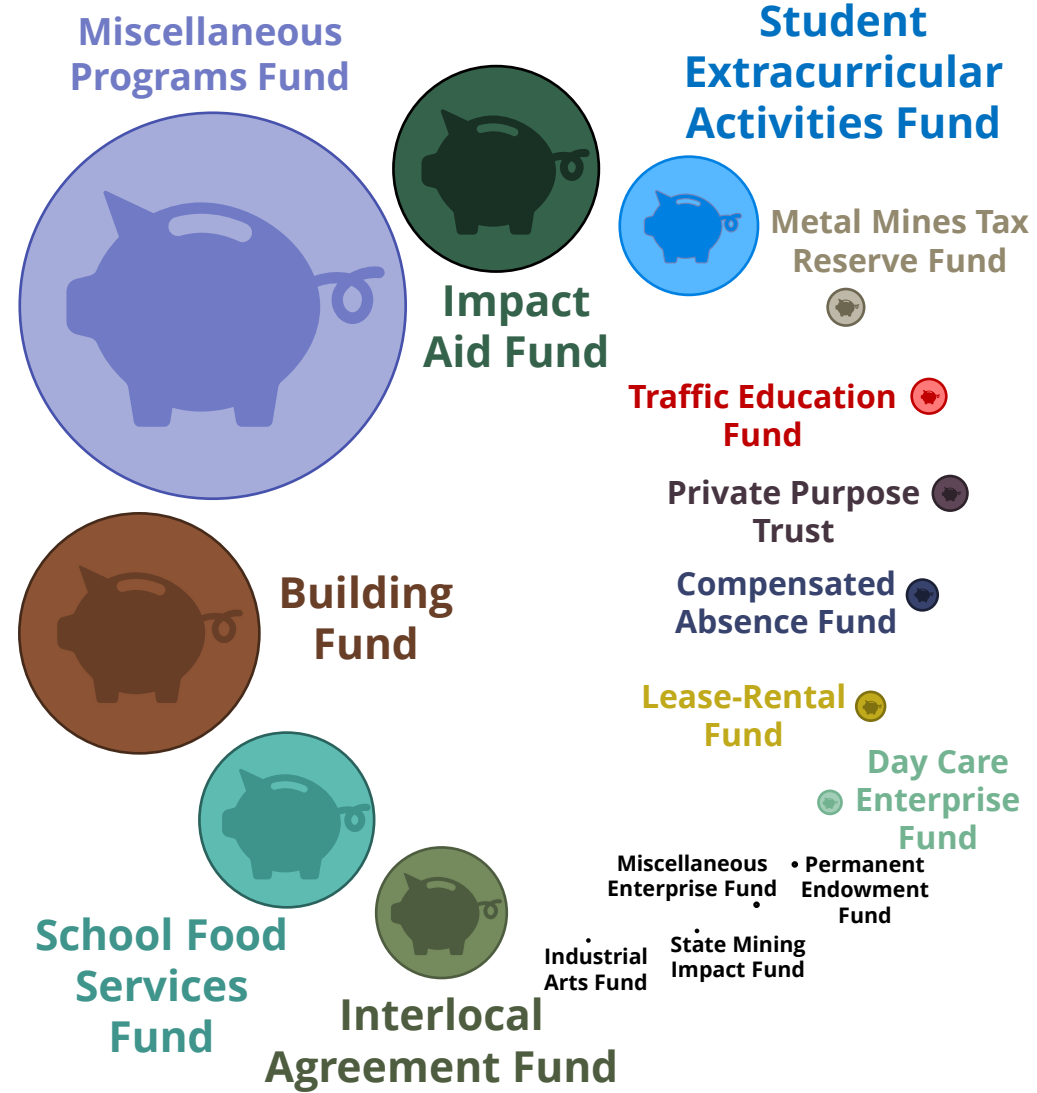
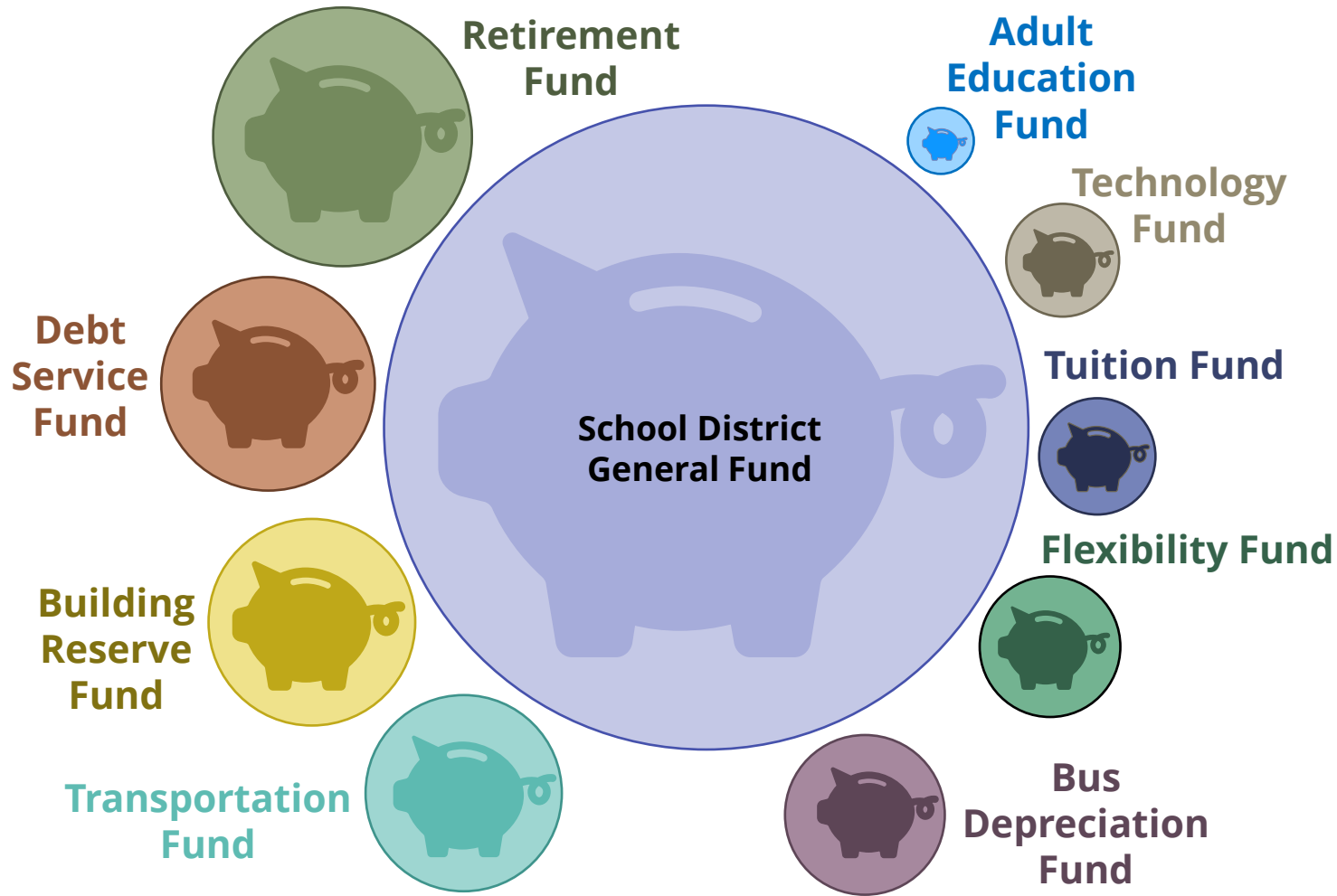
# Enrollment Changes and Per-Pupil Calculations

- Per pupil budget/expenditures/revenues depend on the enrollment metric used in the denominator of the calculation
- *Recap from the General Fund Deep Dive presentation earlier:* Budget Limitation Average Number Belonging (ANB) is the enrollment metric used in the funding formula
- Student count data used in the ANB calculation (not actual ANB numbers) are used for this analysis, as they are actual current year enrollment numbers



## Budgeted Funds

## Non-Budgeted Funds



# Big Picture: School District Funds

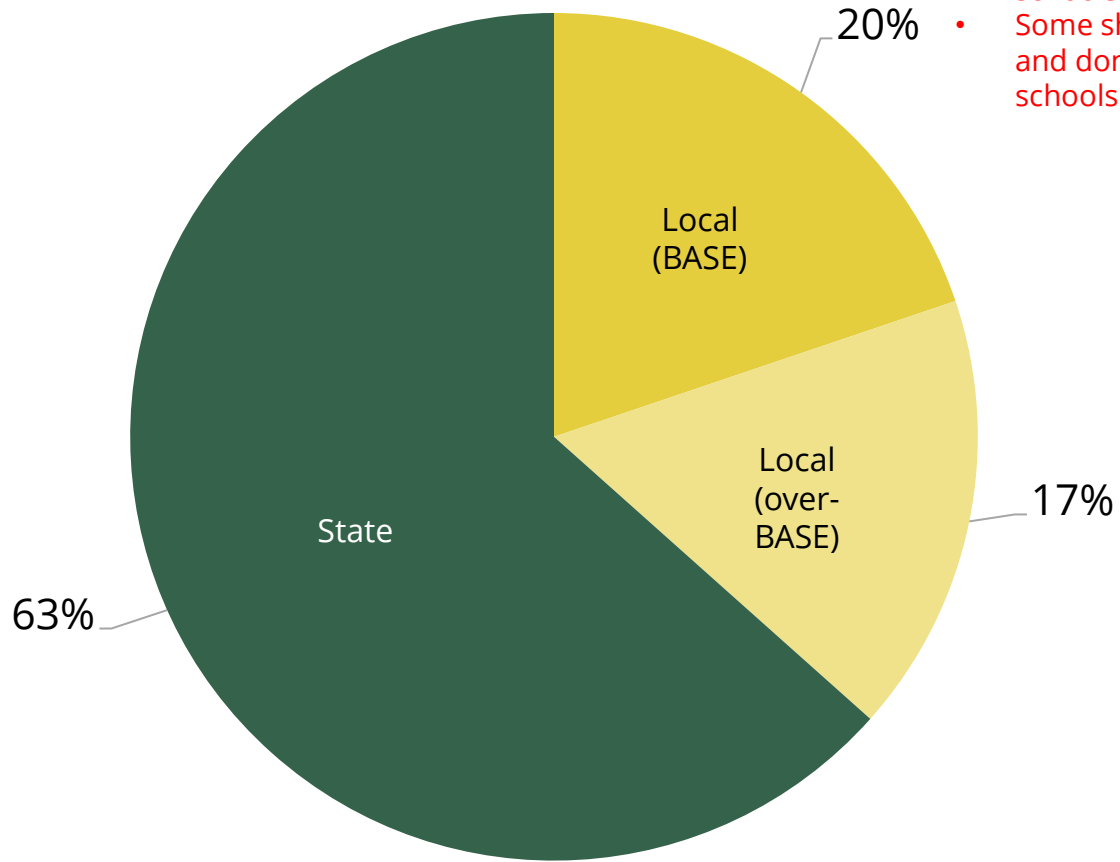
in relative proportion to revenue for FY 2024



# **School District Revenues**

# Revenue Sources: District General Fund (Statewide)

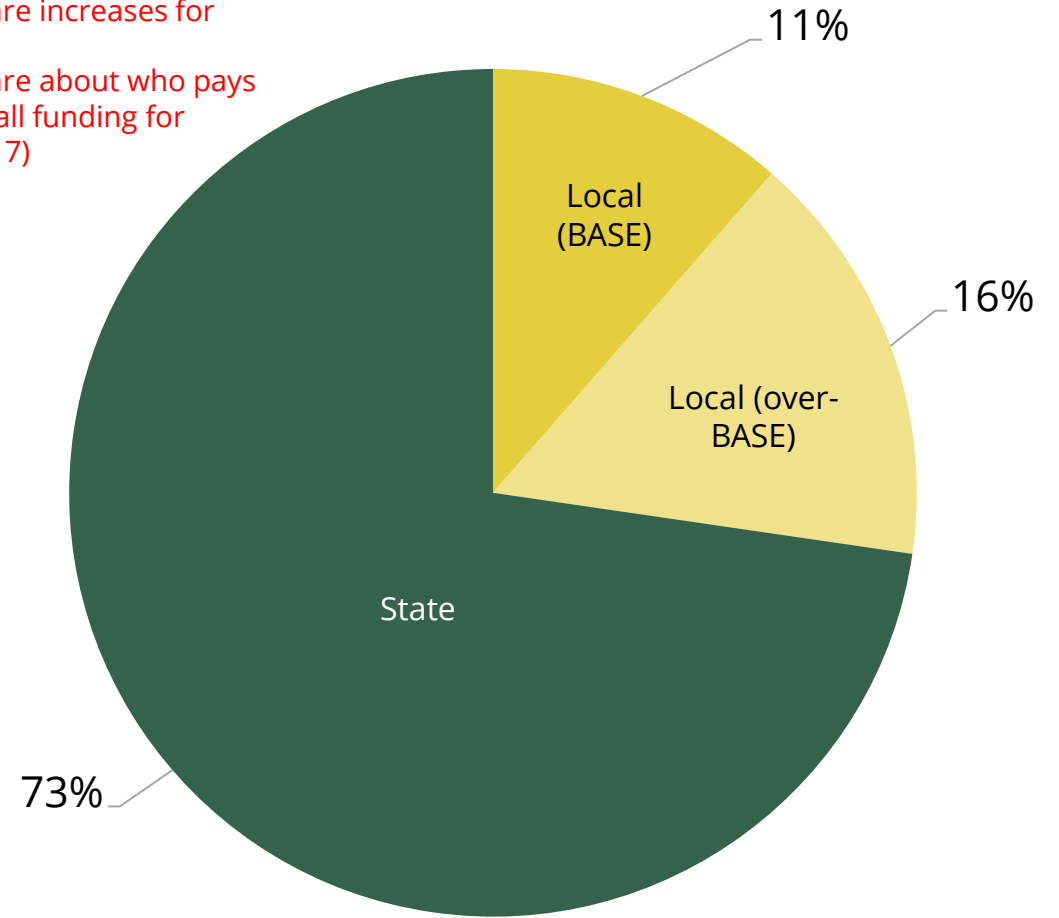
FY 2008



## Key Takeaways:

- State and Local (BASE) funding is required
- Local (over-BASE) funding must be approved by voters
- Some shifts in funding are increases for schools (ex: STARS Act)
- Some shifts in funding are about who pays and don't increase overall funding for schools (ex: HB 647; 2017)

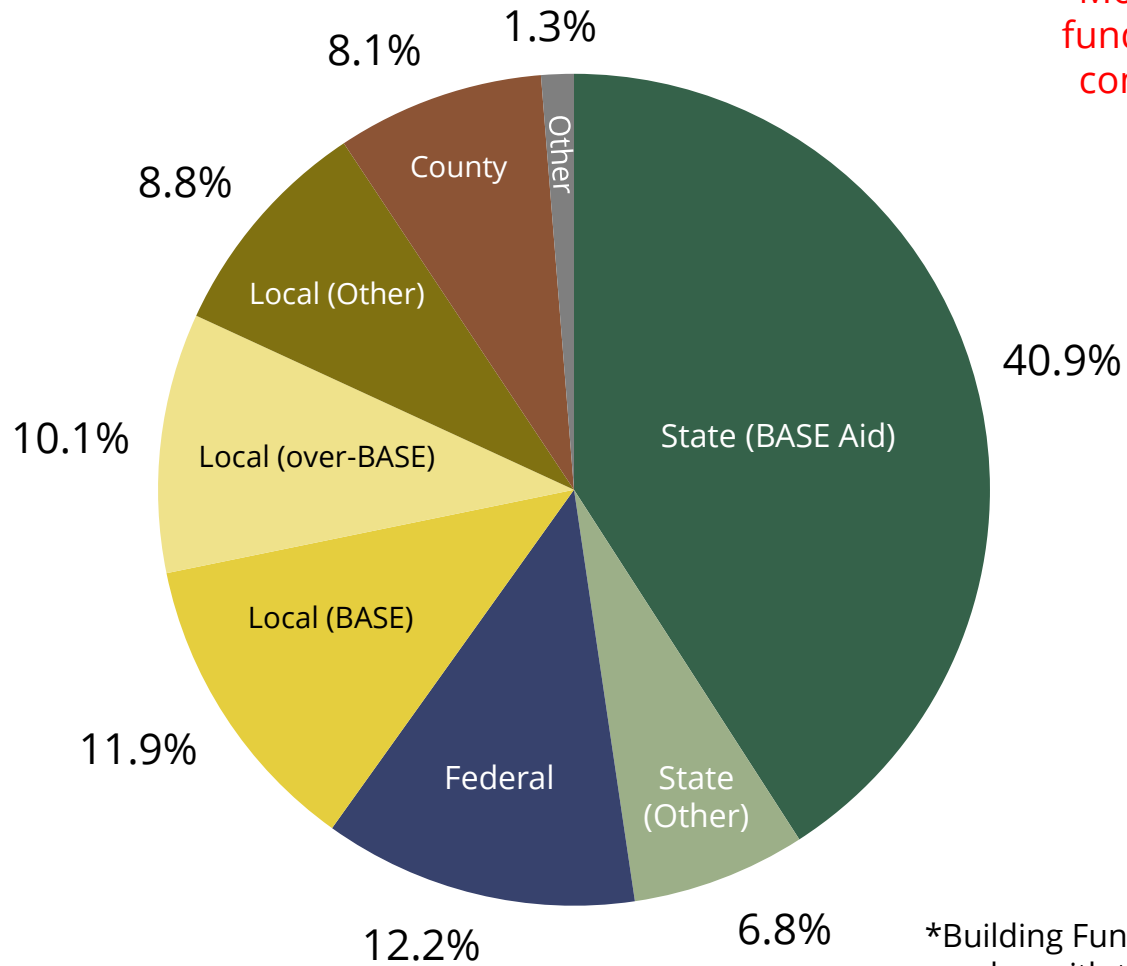
FY 2026



Selected funds:  
General Fund

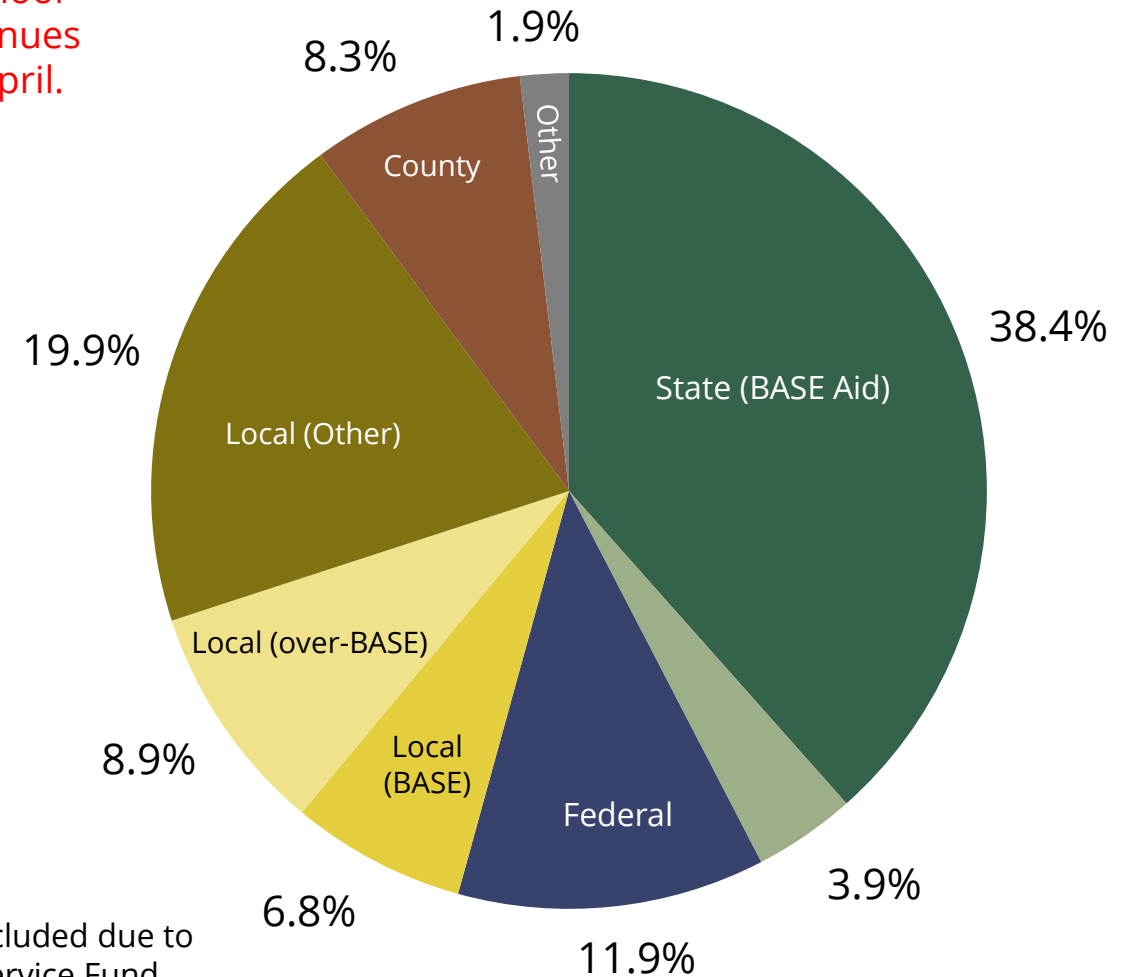
# Revenue Sources: All Funds\* (Statewide)

## FY 2008



More on school  
funding revenues  
coming in April.

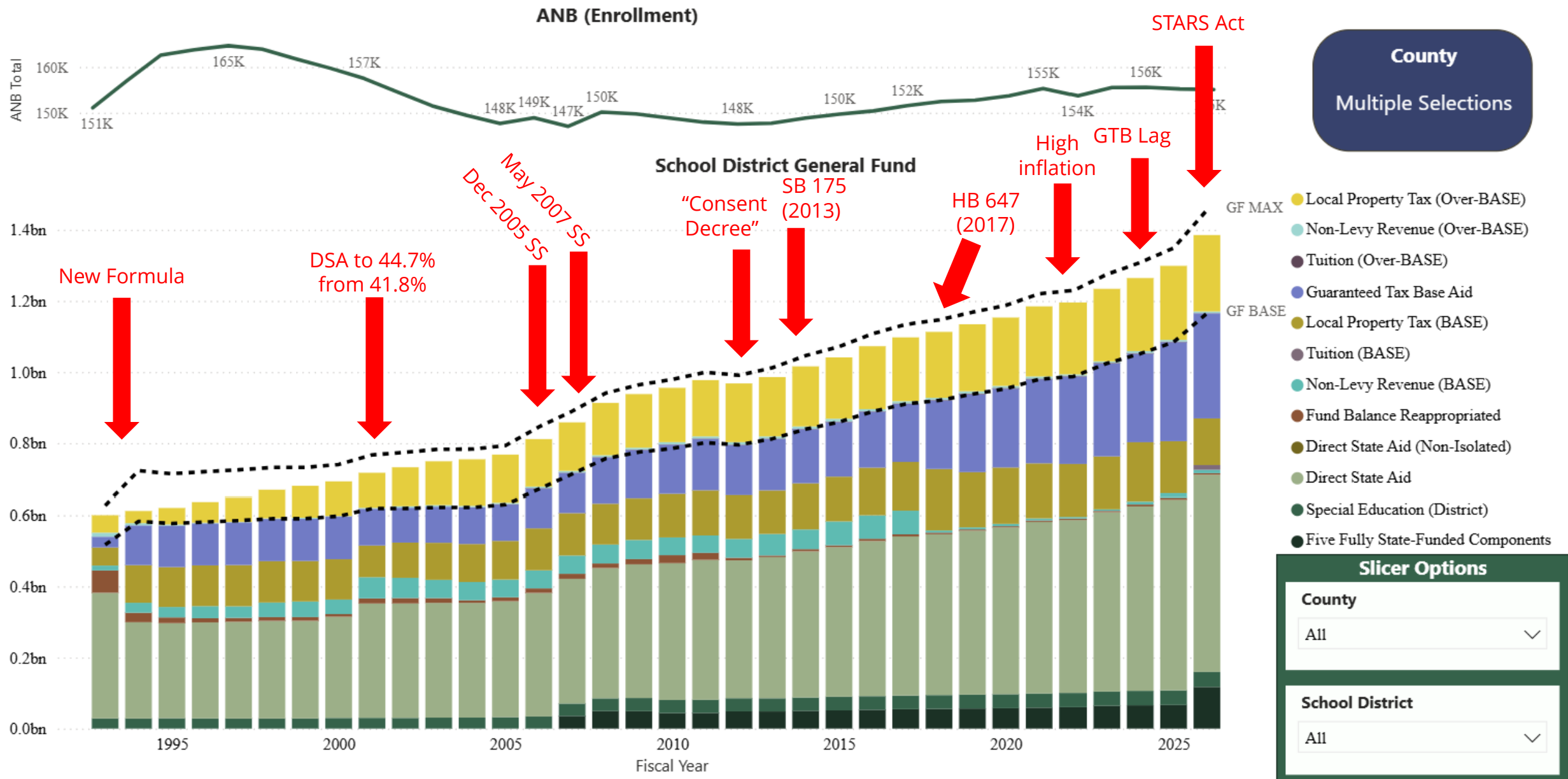
## FY 2025



\*Building Fund is not included due to overlap with the Debt Service Fund

# **School District General Fund Budget**

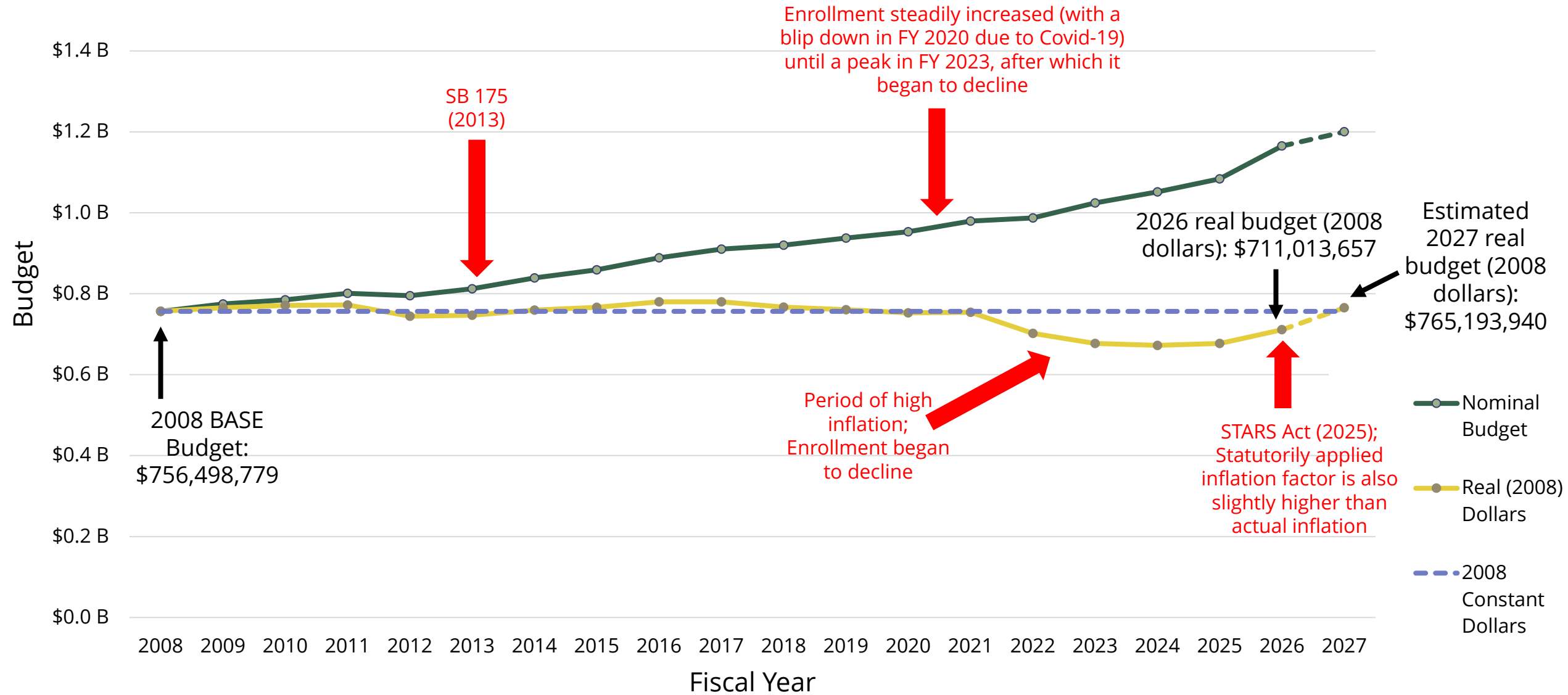




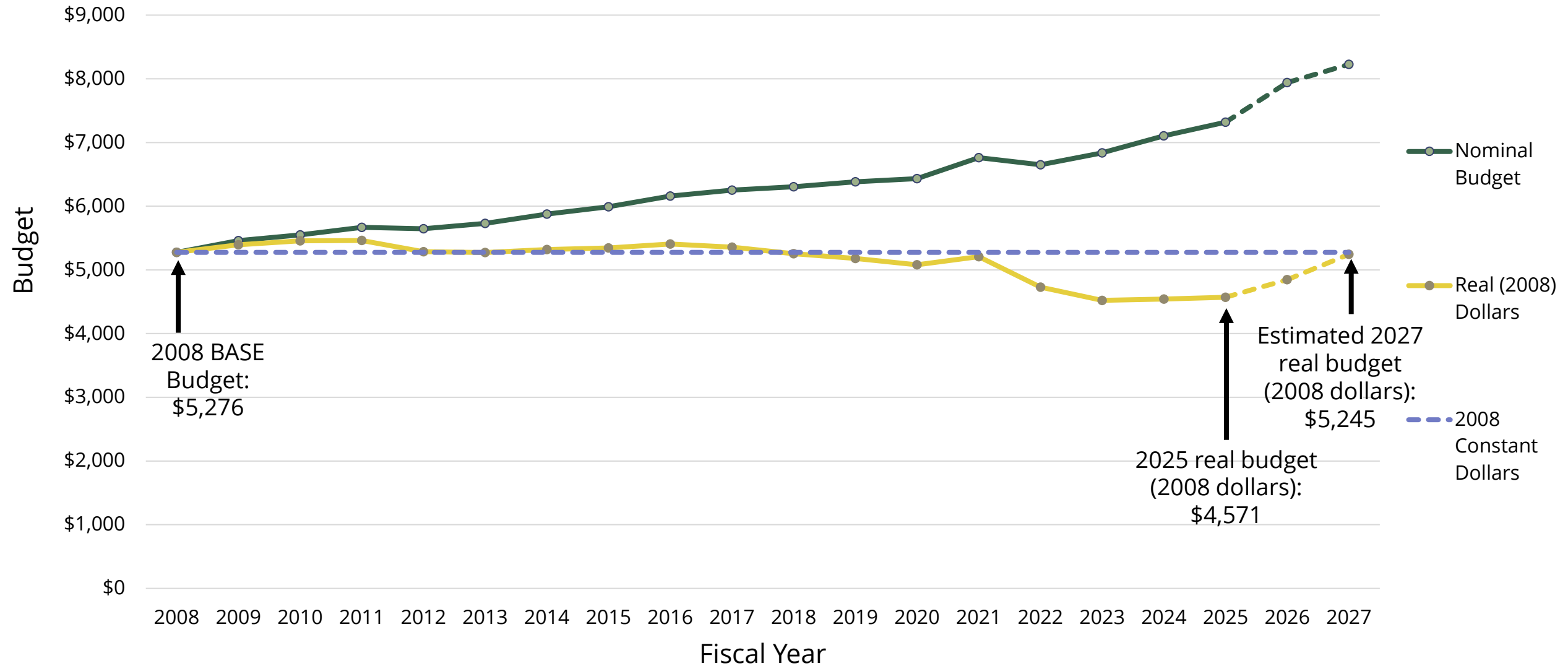
Screenshot taken from LFD BI data tool located here: <https://www.legmt.gov/lfd/publications/school-funding-library/>

# School Funding Dashboard: Inflection Points in the District General Fund

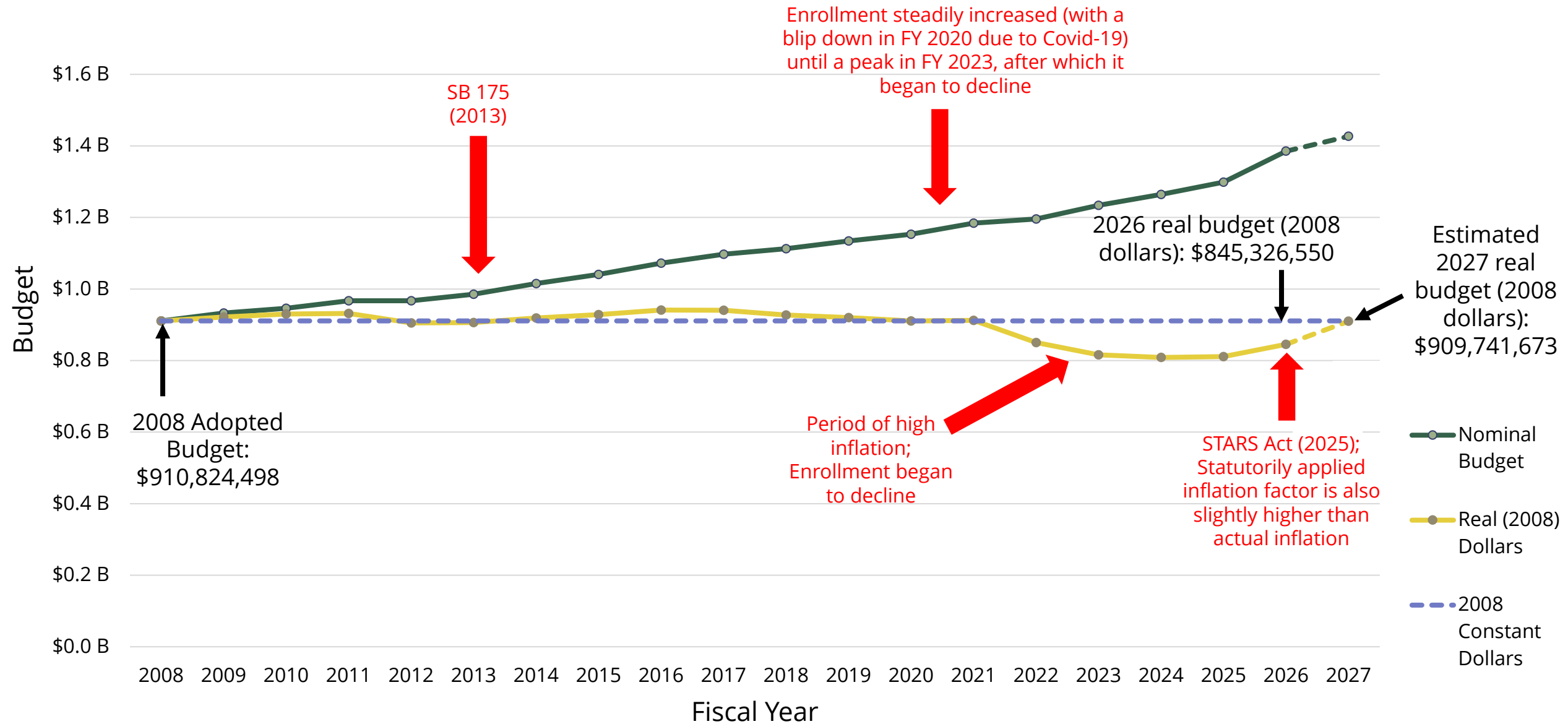
# District General Fund BASE Budget: Nominal and Real (2008) Dollars



# District General Fund BASE Budget Per-Pupil: Nominal and Real (2008) Dollars

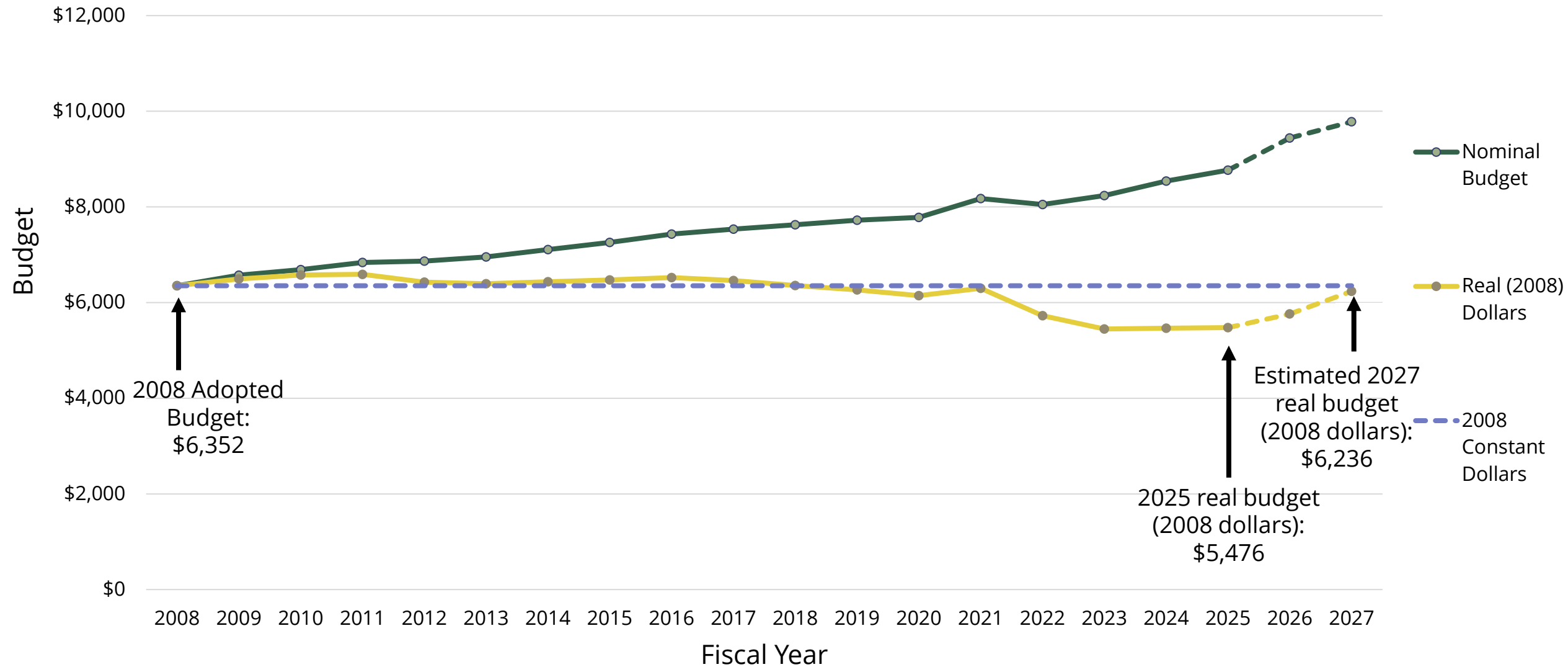


# Adopted District General Fund Budget: Nominal and Real (2008) Dollars



# District General Fund Adopted Budget Per-Pupil: Nominal and Real (2008)

## Dollars





# **School District Expenditures**

# K12-Related Expenditures

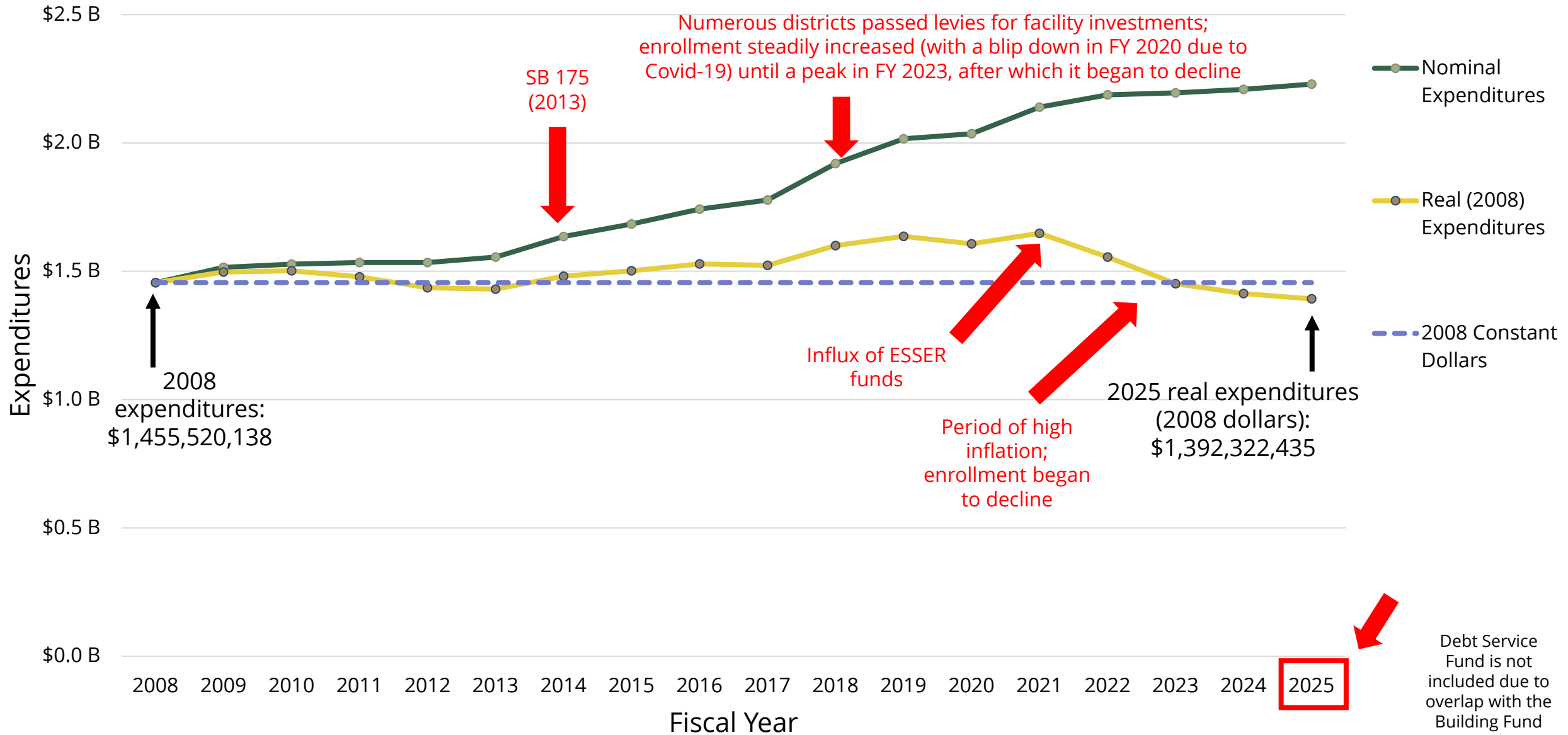
## Included:

- ✓ Instruction
- ✓ Administration
- ✓ Instructional materials
- ✓ Technology
- ✓ Support Services
- ✓ Other instructional costs
- ✓ Facilities
- ✓ Transportation
- ✓ Food services
- ✓ One-time-only funds (e.g. ARRA, ESSER)

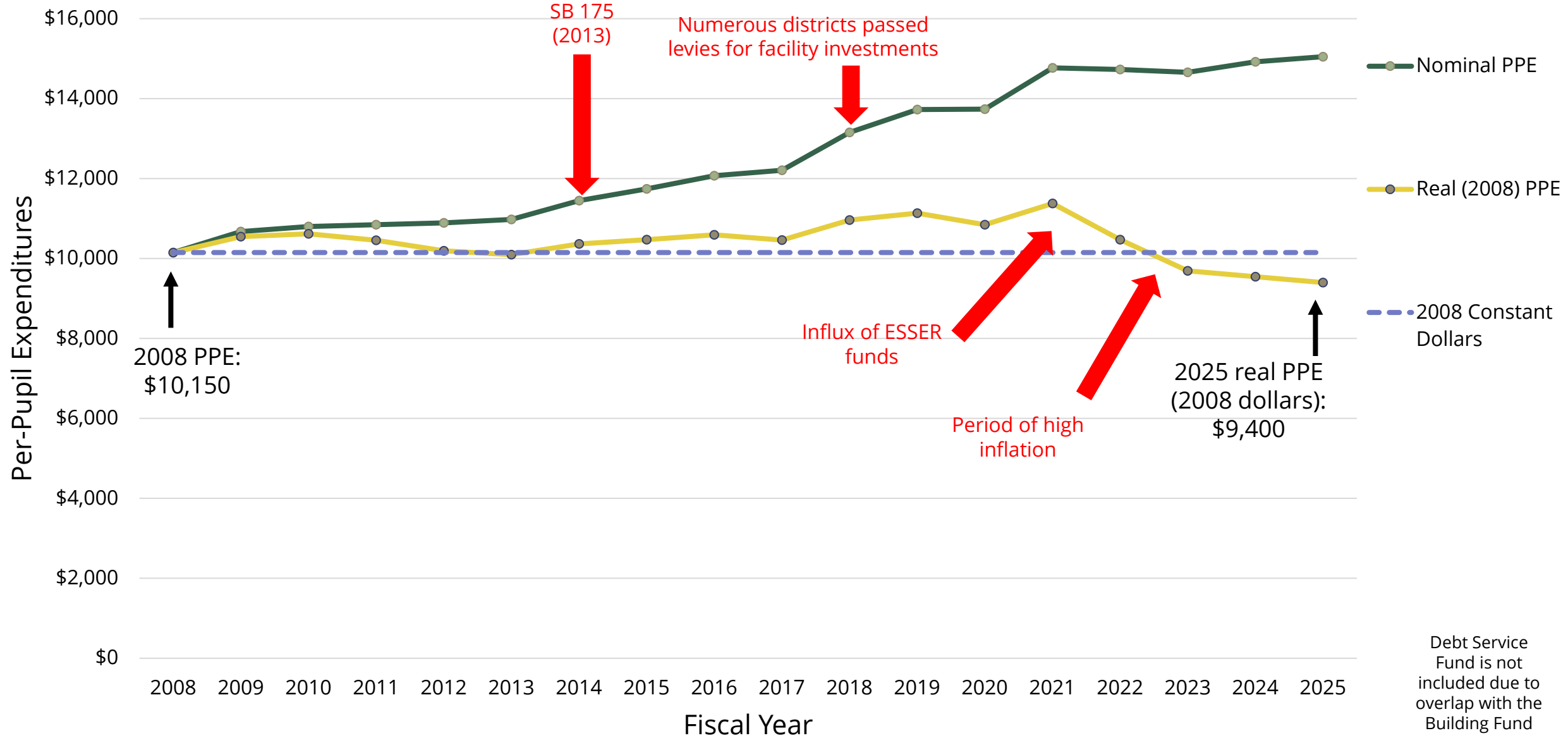
## Not included:

- ✗ Adult education
- ✗ Extra-curricular activities or school sports
- ✗ Community and enterprise programs
- ✗ Non-educational services
- ✗ Transfers to other funds
- ✗ Other duplicative expenditures (e.g. debt service fund and building fund overlap)
- ✗ Undistributed funds

# Total K12-Related\* Expenditures: Nominal and Real (2008) Dollars



# Total K12-Related\* PPE: Nominal and Real (2010) Dollars



Debt Service Fund is not included due to overlap with the Building Fund

# Selected Funds

Though not always used exclusively for instructional costs, these six funds are most often associated with the instructional functions of a school district:



## District 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



## Flexibility Fund

Used for technology, facility expansion, student assessment and evaluation, curriculum development, and certain other types of expenditures



## Technology Fund

Used for the purchase, rental, repair and maintenance of technology equipment, and associated technical training for school district personnel



## Tuition Fund

Used to pay tuition for a student who attends school outside the student's district of residence and for certain special education costs



## Impact Aid Fund

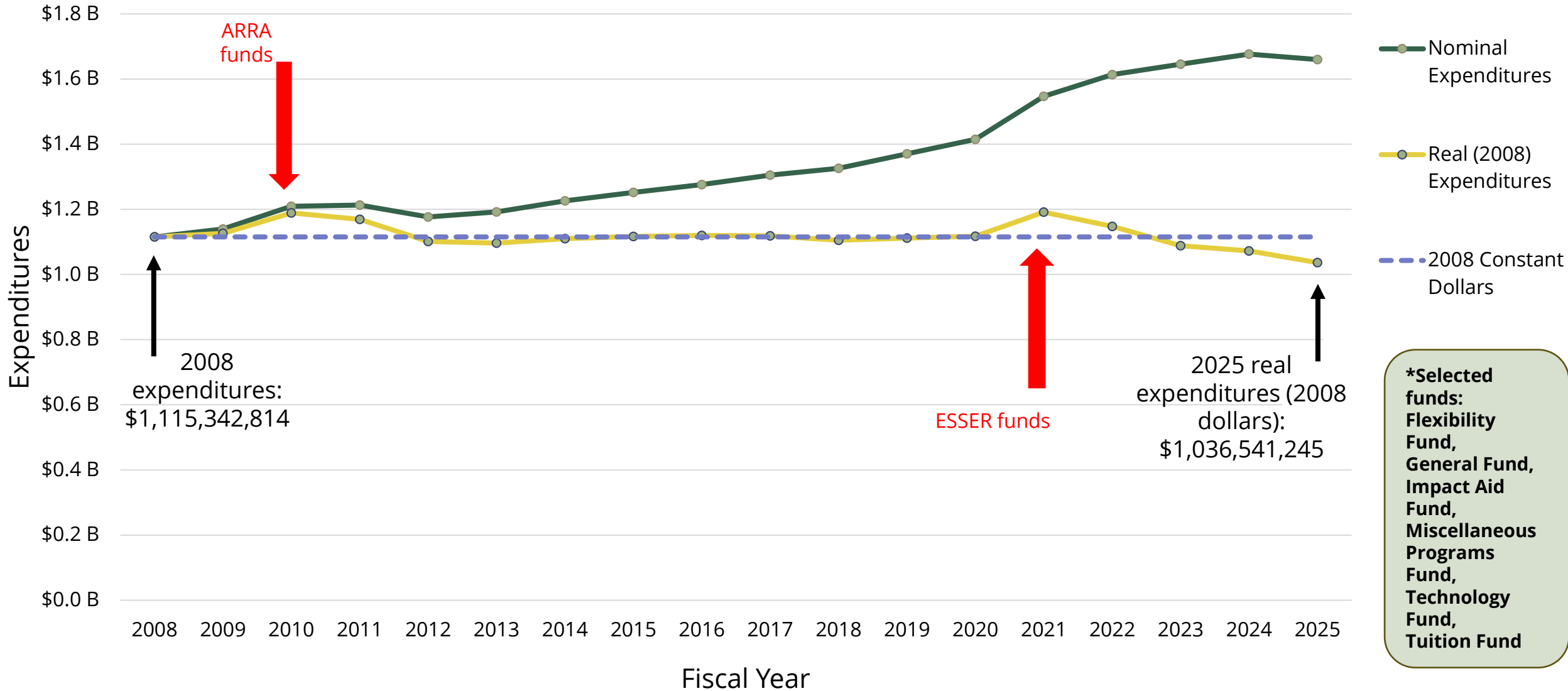
Used for the receipt and expenditure of federal funding for federally-connected children whose families live or work on nontaxable federal land (tribal land, forest land, national parks, military bases, etc.); general support payments can be used in support of almost any school district function including facilities



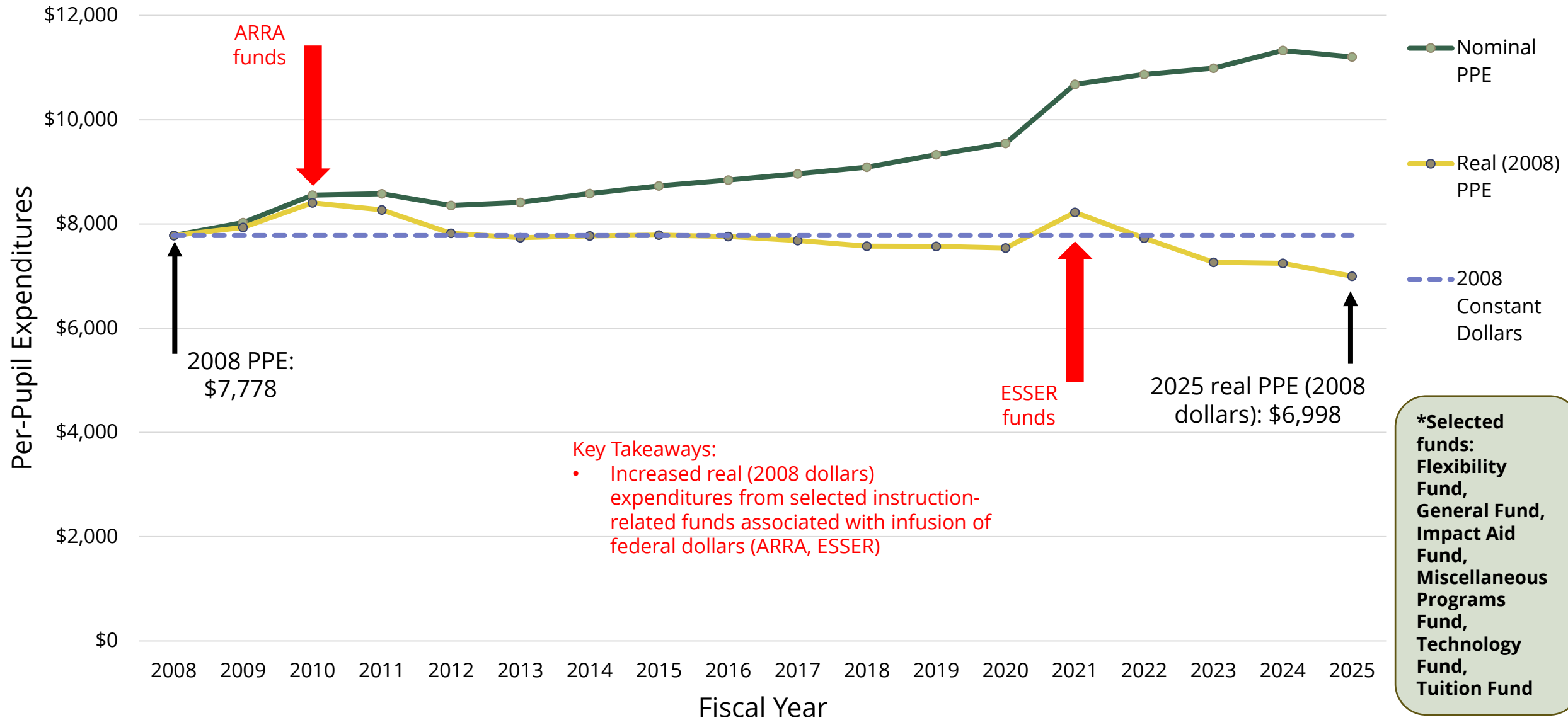
## Miscellaneous Programs Fund

Used for a variety of programs, grants, and reimbursements, including federal programs like Title I-X IDEA, ESSER (Covid 19 relief funds), etc. in addition to some state programs such as Indian Language Immersion, etc.

# K12-Related Expenditures for Selected Funds\*: Nominal and Real (2008) Dollars



# K12-Related PPE for Selected Funds\*: Nominal and Real (2008) Dollars



# Student Centered Expenses

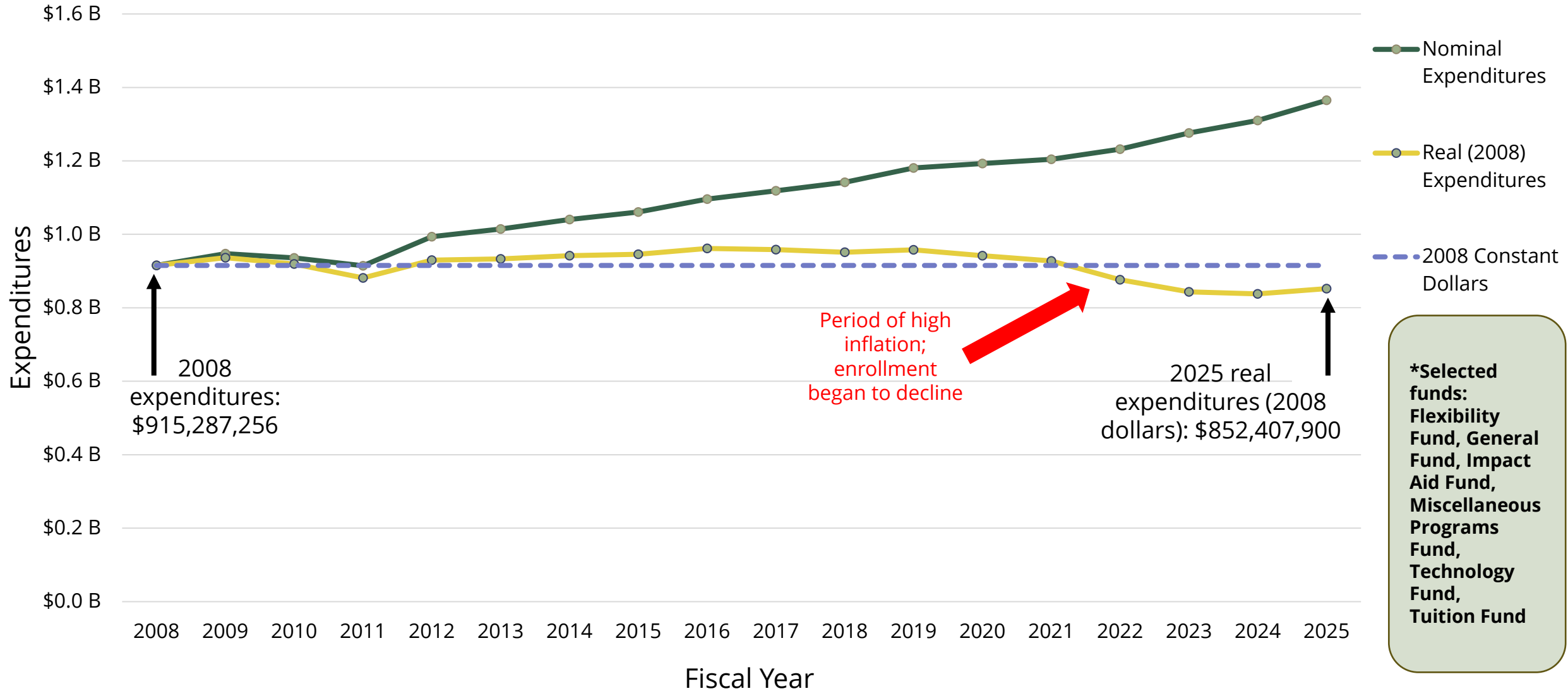
## Included:

- ✓ Instruction
- ✓ Administration
- ✓ Instructional materials
- ✓ Technology
- ✓ Support Services
- ✓ Other instructional costs

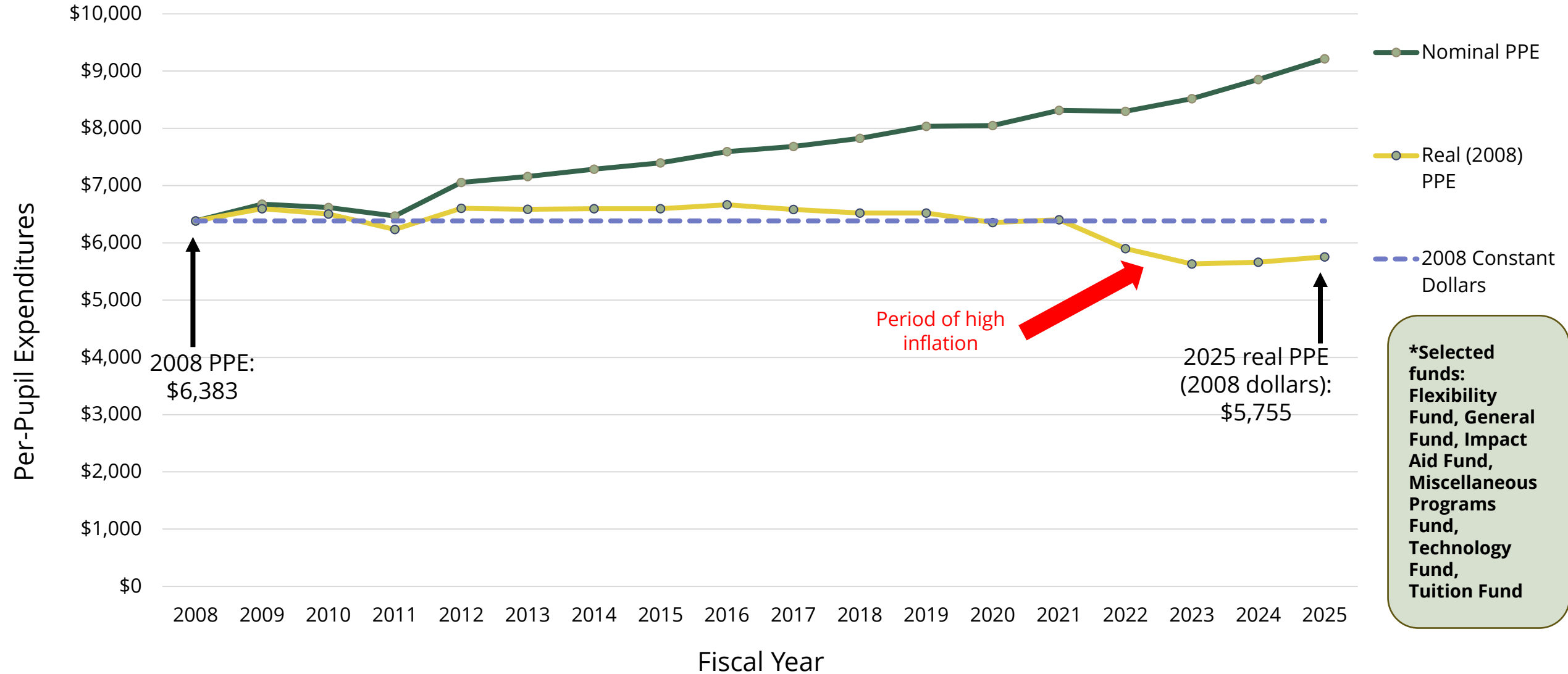
## Not included:

- ✗ Facilities
- ✗ Transportation
- ✗ Food services
- ✗ Adult education
- ✗ Extra-curricular activities or school sports
- ✗ Community and enterprise programs
- ✗ Non-educational services
- ✗ One-time-only funds (e.g. ARRA, ESSER)
- ✗ Transfers to other funds
- ✗ Other duplicative expenditures (e.g. debt service fund and building fund overlap)
- ✗ Undistributed funds

# Student Centered Expenditures for Selected Funds\*: Nominal and Real (2008) Dollars



# Student Centered Expenditures for Selected Funds\*: Nominal and Real (2008) Dollars



# District General Fund

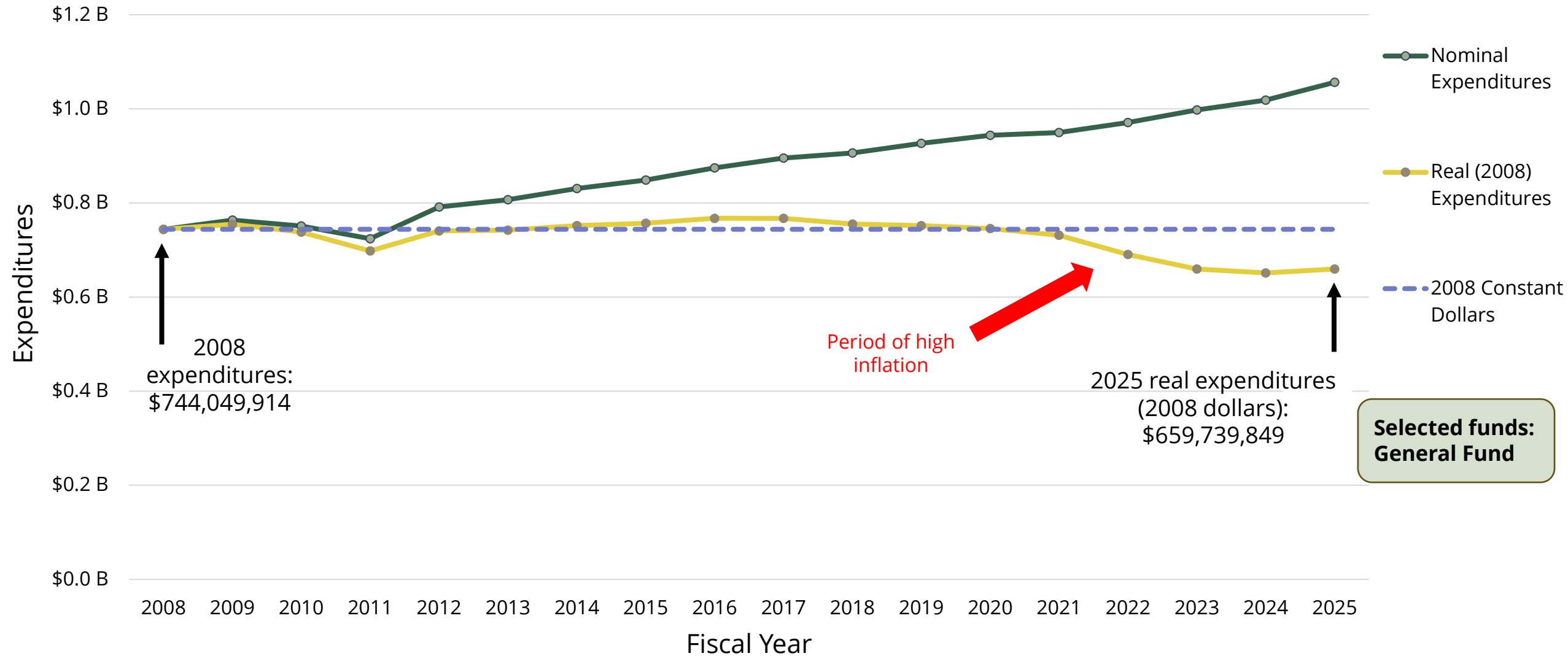


## District General

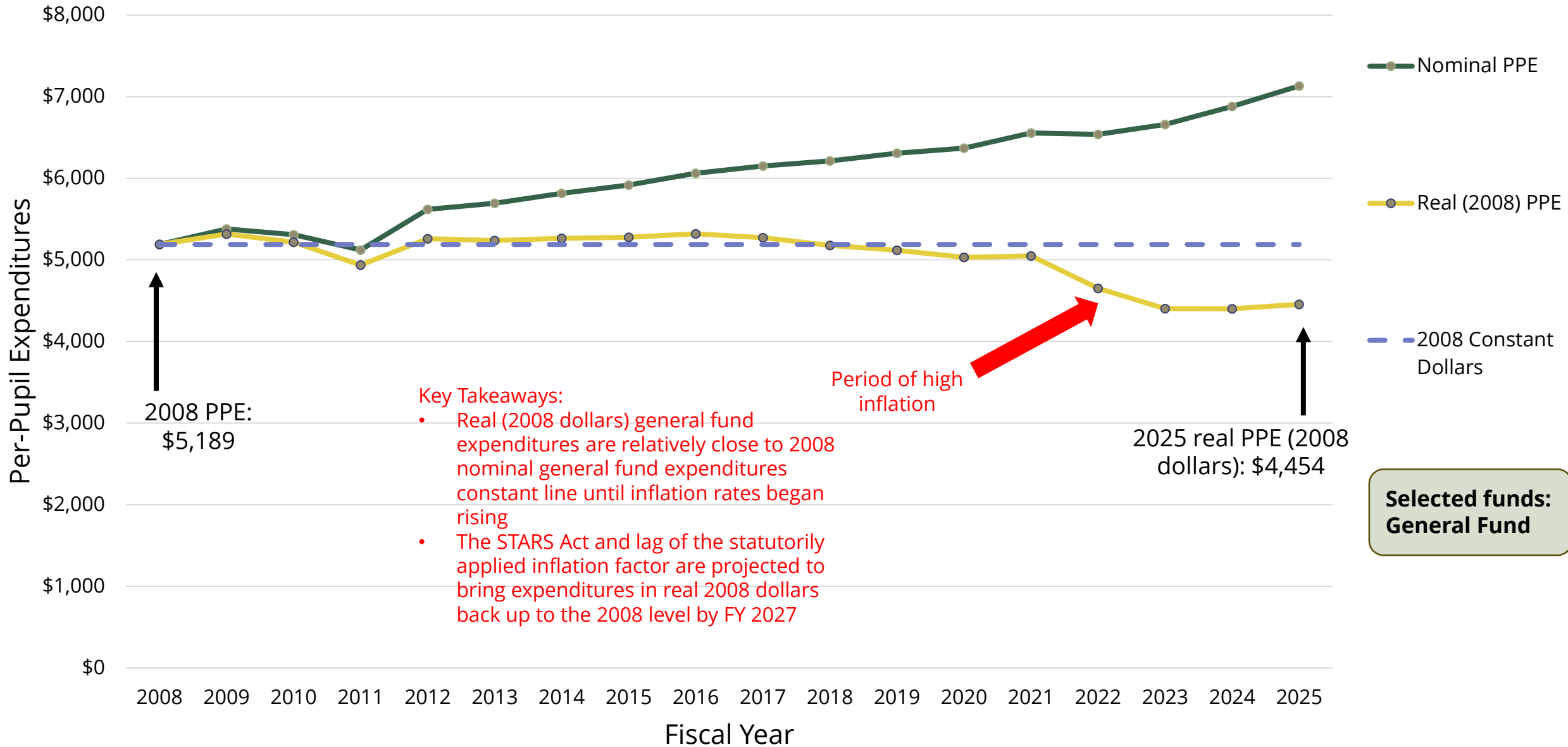
Used for the basic instructional and operational costs of the district not provided for in another fund, including salaries and benefits (other than retirement) for most employees, instructional materials, and basic facility operational costs

Though not used exclusively for instructional costs, the district general fund is a point of focus because it is funded by the school funding formula

# District General Fund Expenditures: Nominal and Real (2008) Dollars



# District General Fund PPE: Nominal and Real (2008) Dollars



# K-12 Cost Drivers



# K-12 Cost Drivers

## Included:

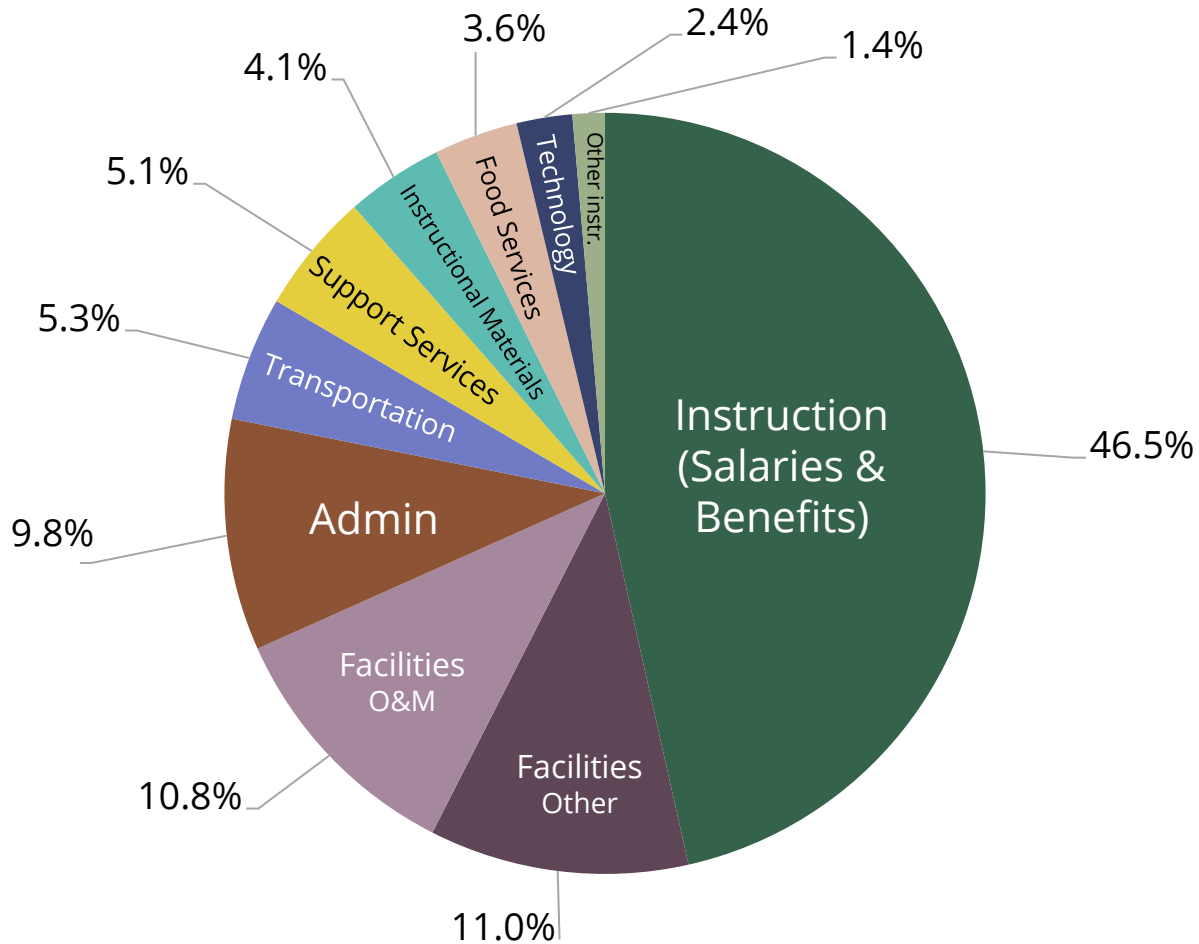
- ✓ Instruction (Salaries & Benefits) – salaries and benefits categorized for teachers
- ✓ Administration – administrative costs of running schools (includes salaries and benefits for school administrative staff, office costs, etc.)
- ✓ Instructional materials – costs for supplies and materials related to instruction, curriculum, subscriptions, etc.
- ✓ Technology – costs for technology associated with K-12 instruction
- ✓ Support Services – costs for support staff (e.g. librarians, counselors, paras, etc.)
- ✓ Facilities (O&M) – daily operational and maintenance costs of facilities
- ✓ Facilities (other) – costs for capital improvements, new construction, purchase of property, debt service, etc.
- ✓ Transportation – costs for busing of students to and from school (does not include extracurricular activities or field trips)
- ✓ Food services – costs of school breakfast and lunch programs
- ✓ Other instructional costs – non-salary-related costs associated with instruction that are not identified as instructional materials

## Not included:

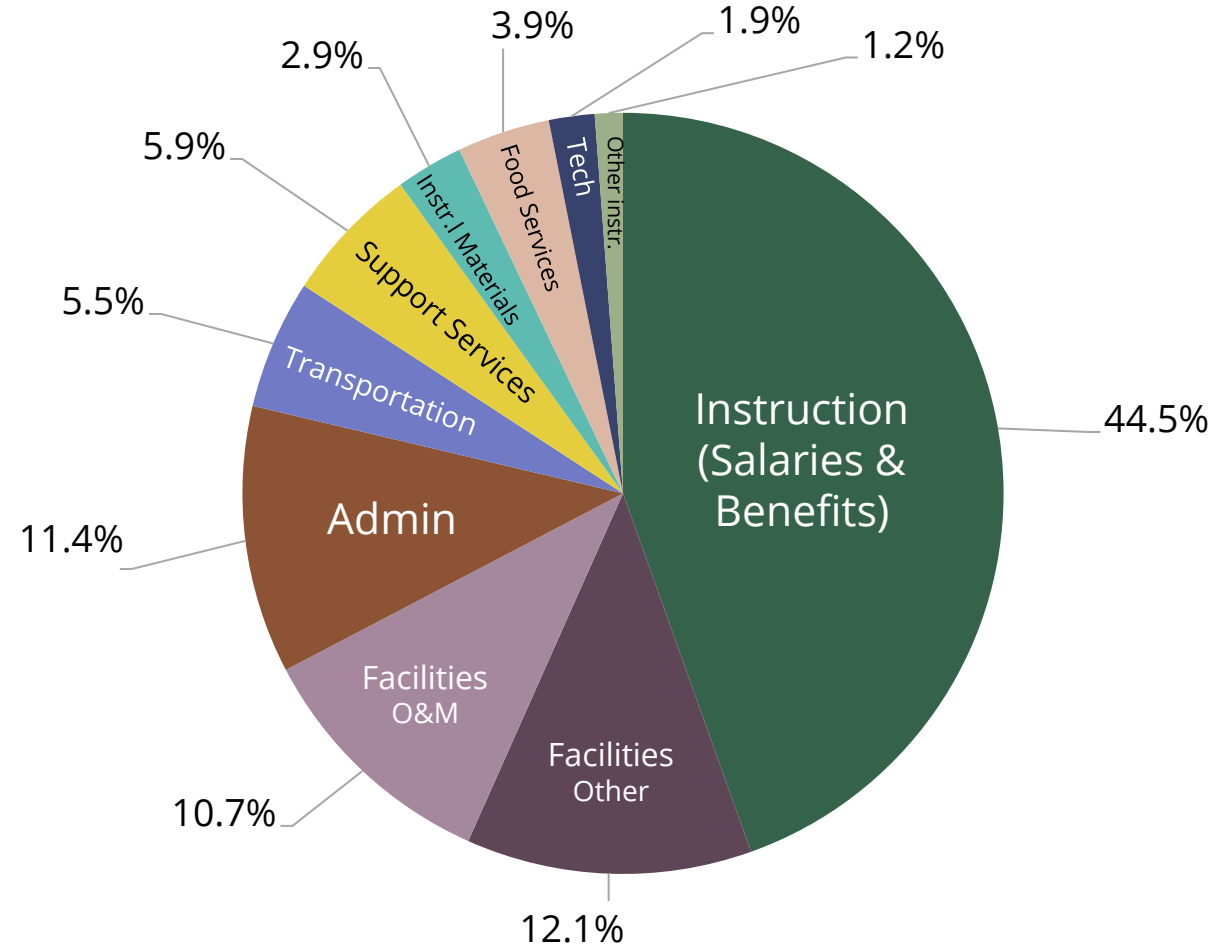
- ✗ Adult education
- ✗ Extra-curricular activities or school sports
- ✗ Community and enterprise programs
- ✗ Non-educational services
- ✗ One-time-only funds (e.g. ARRA, ESSER)
- ✗ Transfers to other funds
- ✗ Other duplicative expenditures (e.g. debt service fund and building fund overlap)
- ✗ Undistributed funds

# Cost Drivers: All Expenditures, All Funds\* (Statewide)

## FY 2008

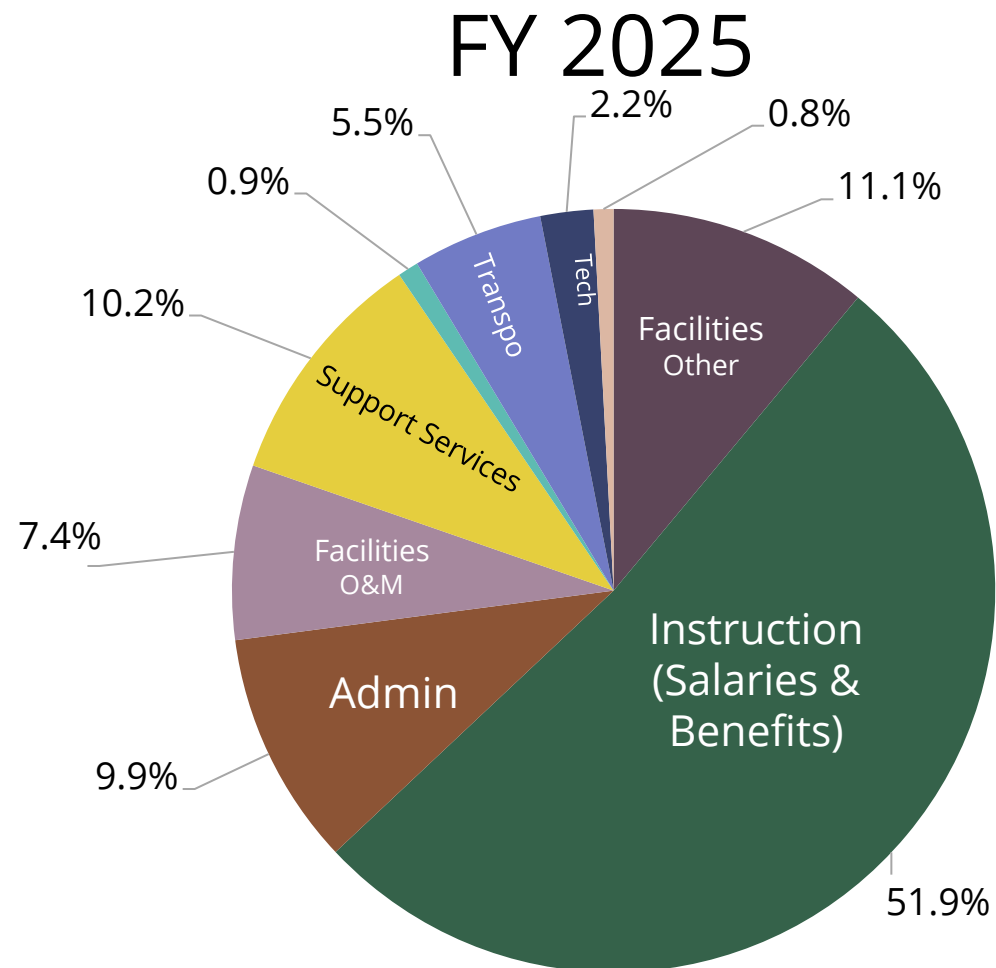
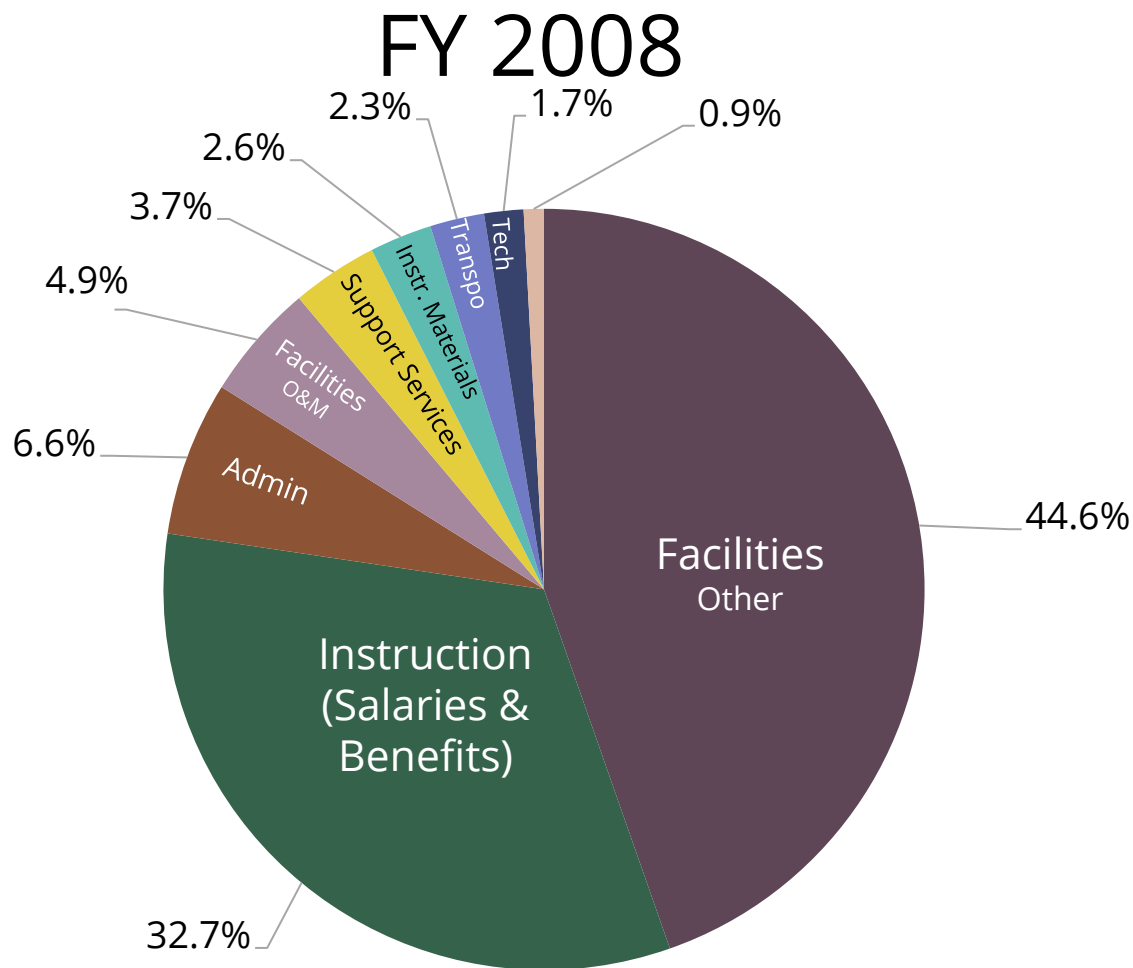


## FY 2025



\*Debt Service Fund is not included due to overlap with the Building Fund

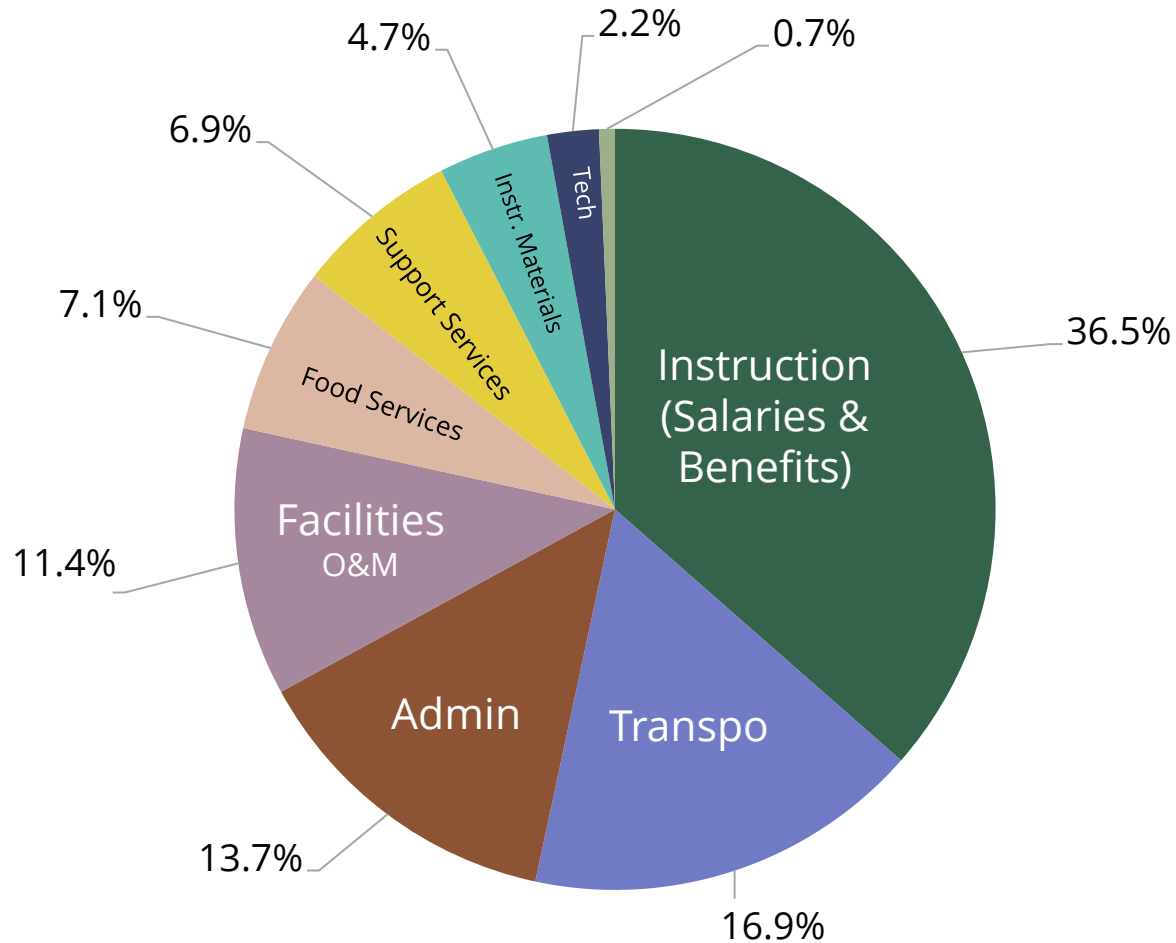
# Cost Drivers: All Expenditures, All Funds\* (Bozeman Elem)



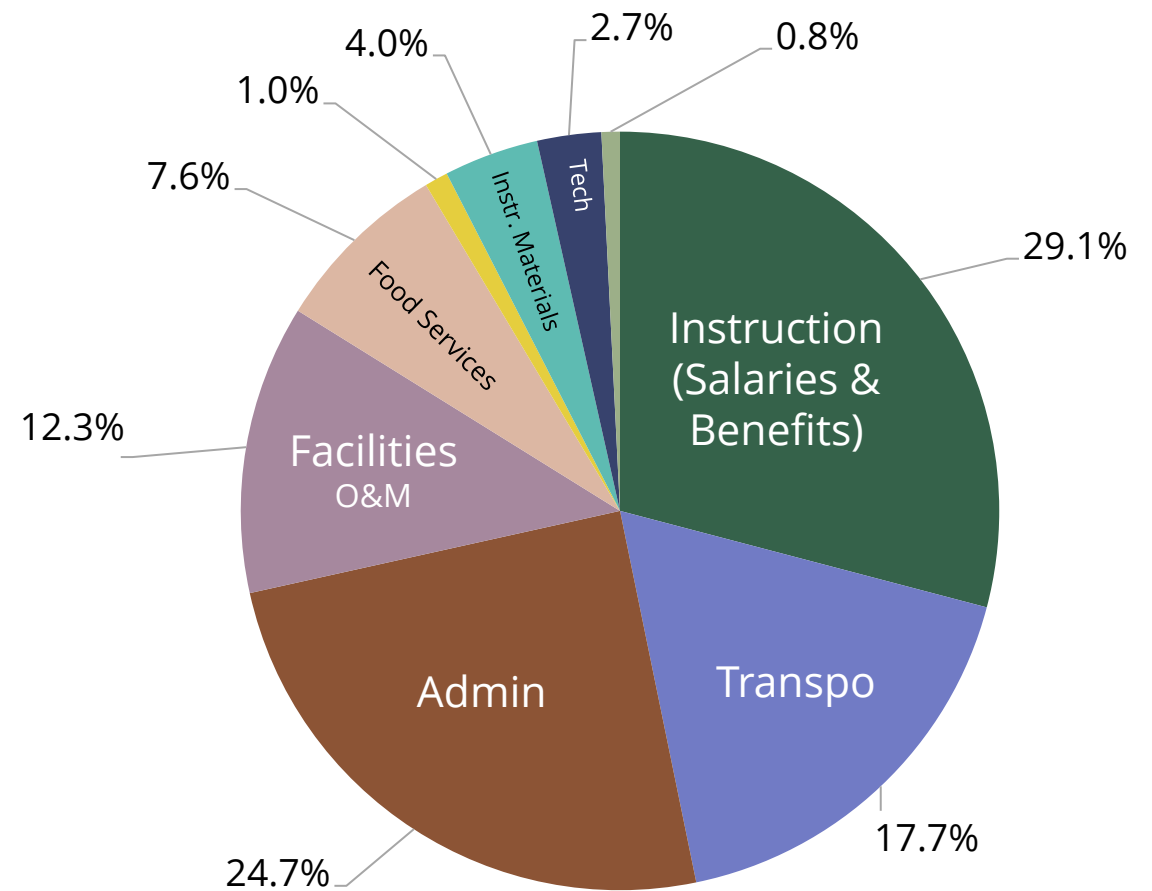
\*Debt Service Fund is not included due to overlap with the Building Fund

# Cost Drivers: All Expenditures, All Funds\* (Trout Creek Elem)

## FY 2008



## FY 2025



\*Debt Service Fund is not included due to overlap with the Building Fund

# Cost Drivers: Selected Funds

Though not always used exclusively for instructional costs, these six funds are most often associated with the instructional functions of a school district:



## District 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



## Flexibility Fund

Used for technology, facility expansion, student assessment and evaluation, curriculum development, and certain other types of expenditures



## Technology Fund

Used for the purchase, rental, repair and maintenance of technology equipment, and associated technical training for school district personnel



## Tuition Fund

Used to pay tuition for a student who attends school outside the student's district of residence and for certain special education costs



## Impact Aid Fund

Used for the receipt and expenditure of federal funding for federally-connected children whose families live or work on nontaxable federal land (tribal land, forest land, national parks, military bases, etc.); general support payments can be used in support of almost any school district function including facilities

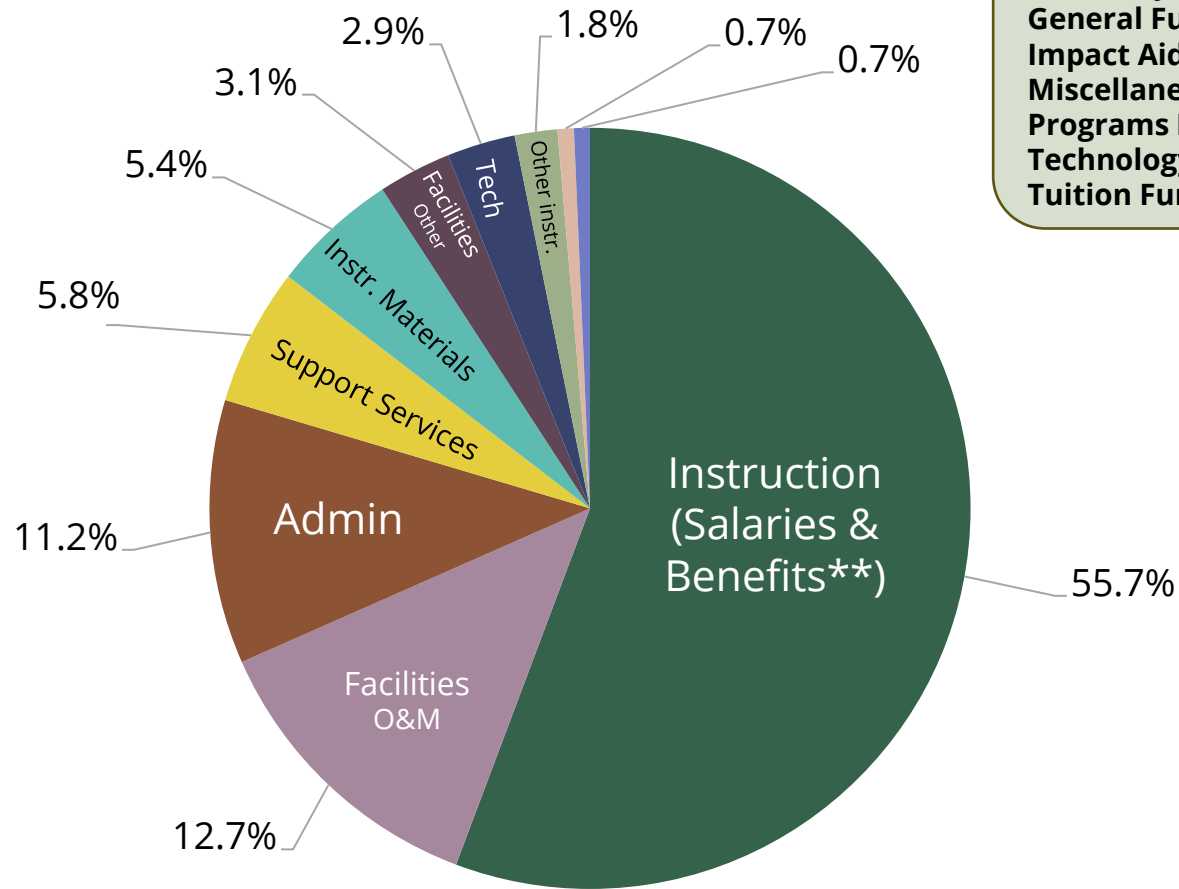


## Miscellaneous Programs Fund

Used for a variety of programs, grants, and reimbursements, including federal programs like Title I-X IDEA, ESSER (Covid 19 relief funds), etc. in addition to some state programs such as Indian Language Immersion, etc.

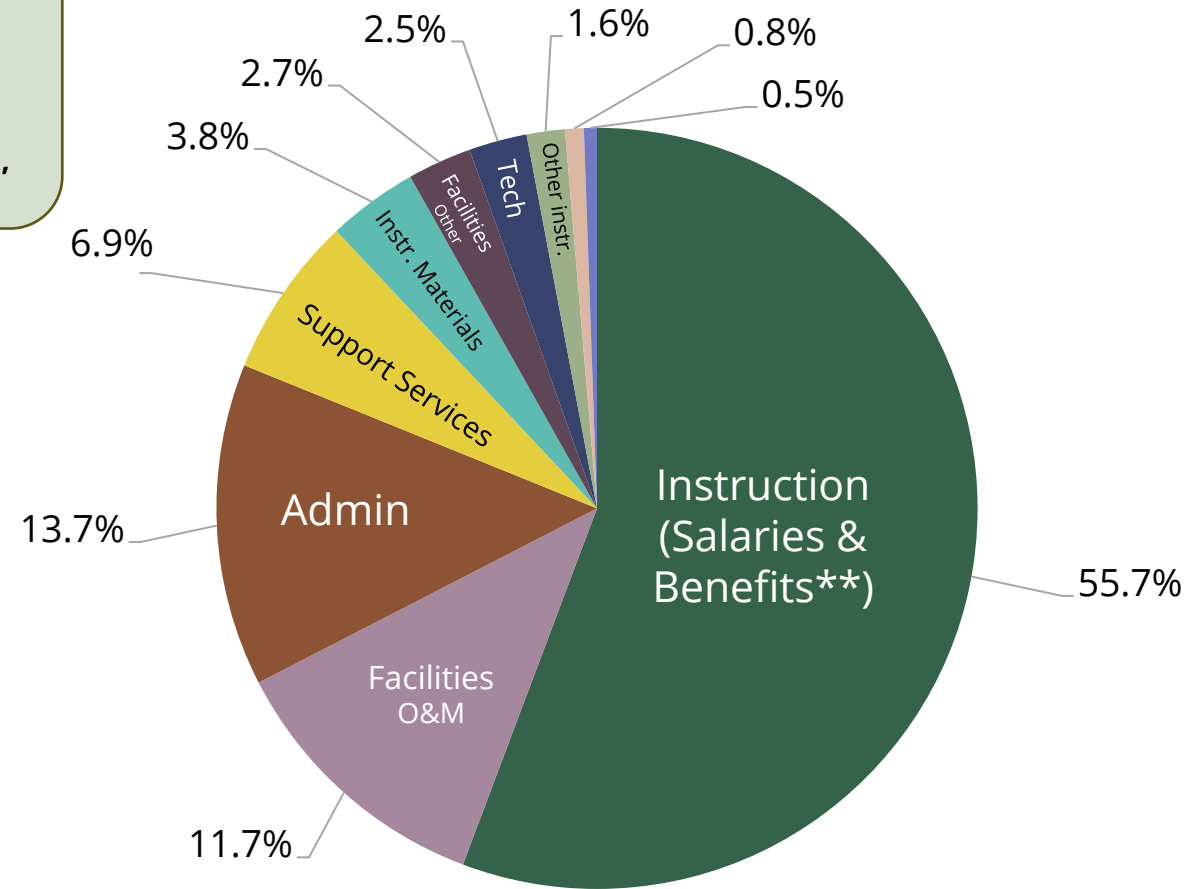
# Cost Drivers: Selected Funds\* (Statewide)

FY 2008



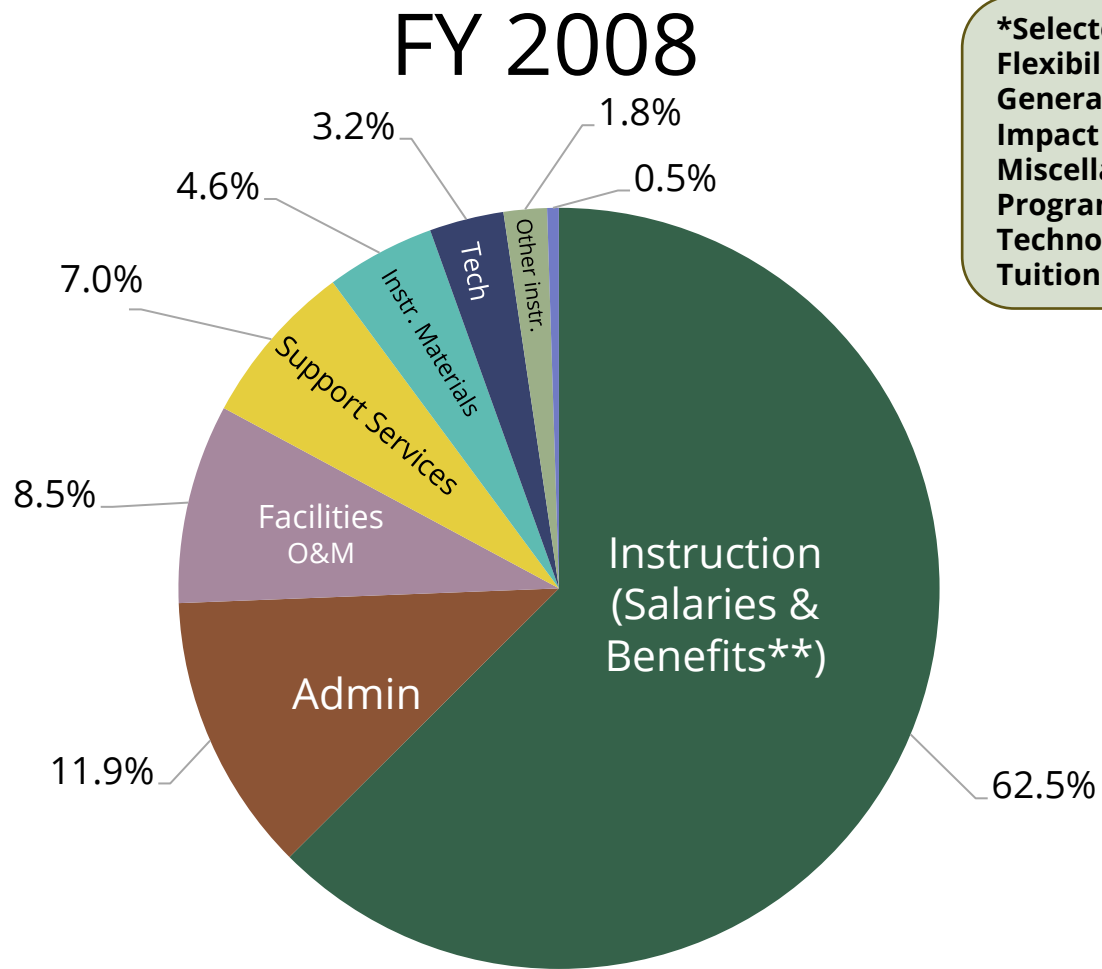
\*Selected funds:  
Flexibility Fund,  
General Fund,  
Impact Aid Fund,  
Miscellaneous  
Programs Fund,  
Technology Fund,  
Tuition Fund

FY 2025

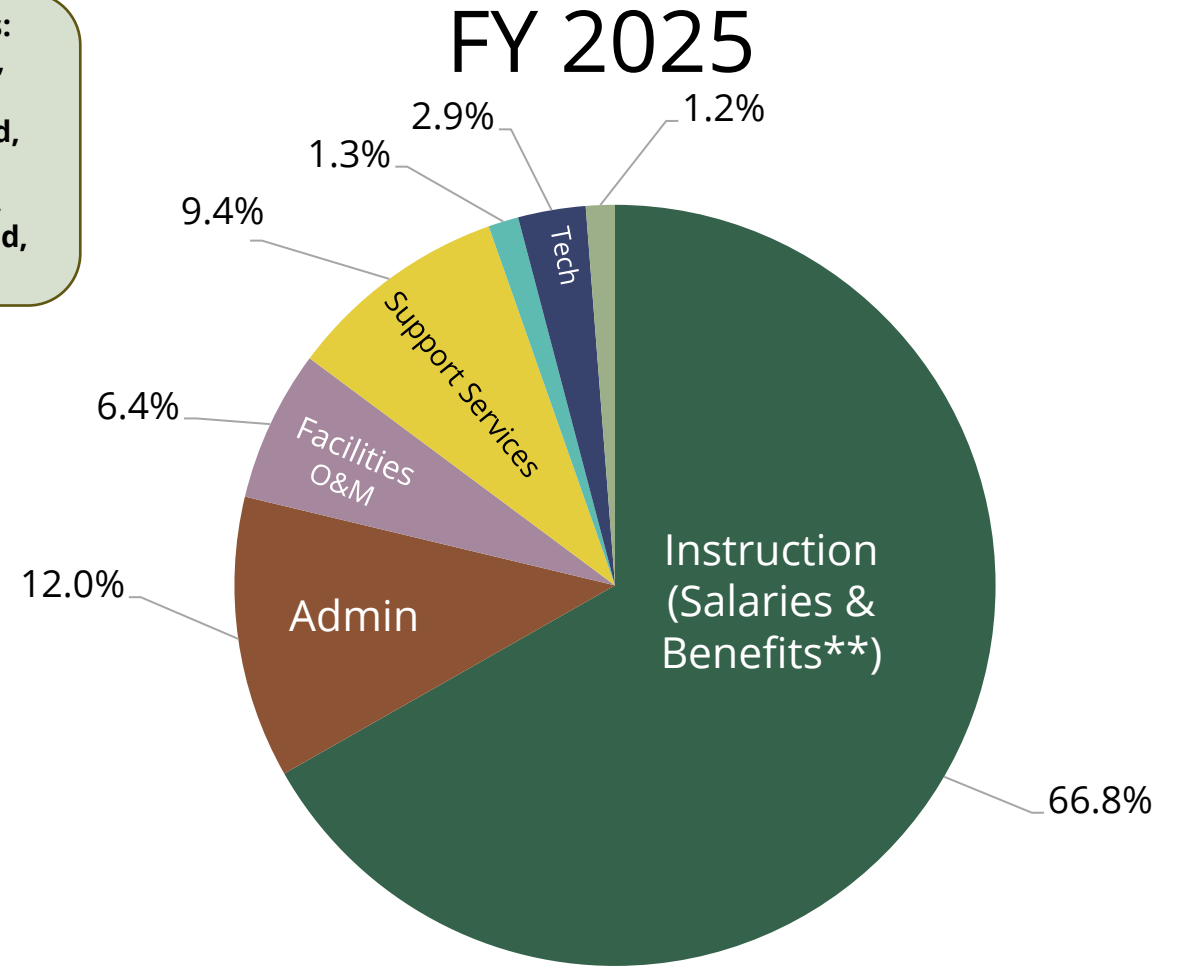


\*\*Retirement Fund is not included

# Cost Drivers: Selected Funds\* (Bozeman Elem)



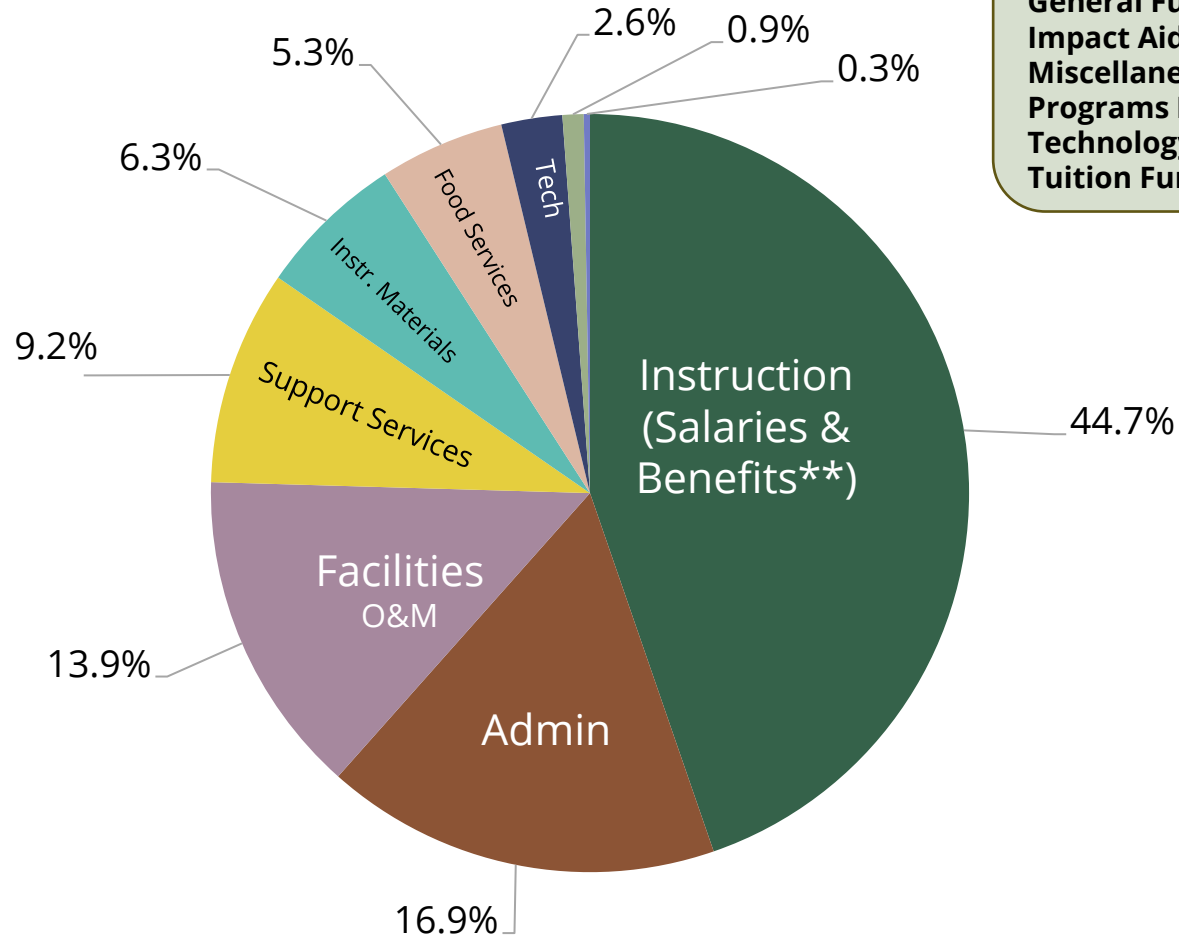
\*Selected funds:  
Flexibility Fund,  
General Fund,  
Impact Aid Fund,  
Miscellaneous  
Programs Fund,  
Technology Fund,  
Tuition Fund



\*\*Retirement Fund is not included

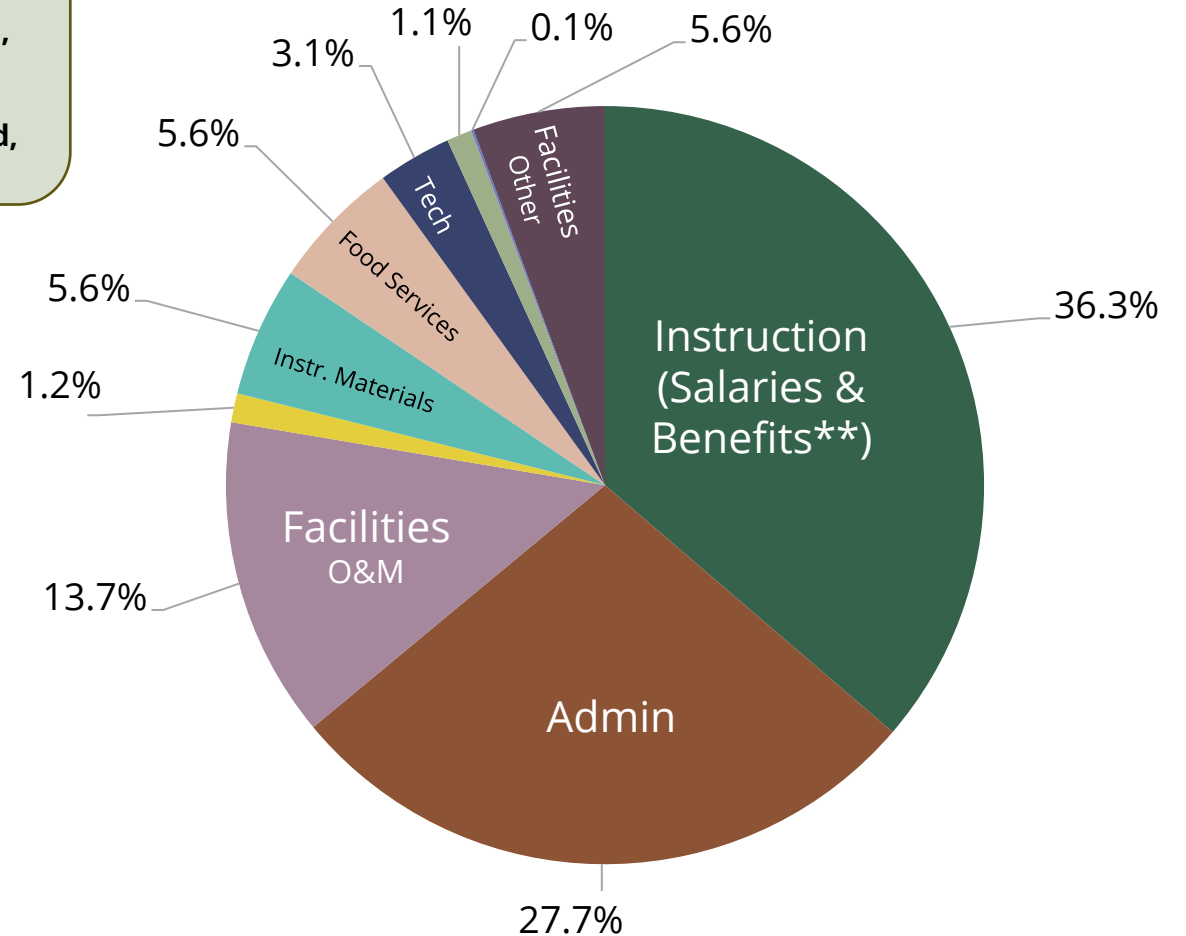
# Cost Drivers: Selected Funds\* (Trout Creek Elem)

FY 2008



\*Selected funds:  
Flexibility Fund,  
General Fund,  
Impact Aid Fund,  
Miscellaneous  
Programs Fund,  
Technology Fund,  
Tuition Fund

FY 2025



\*\*Retirement Fund is not included

# District General Fund

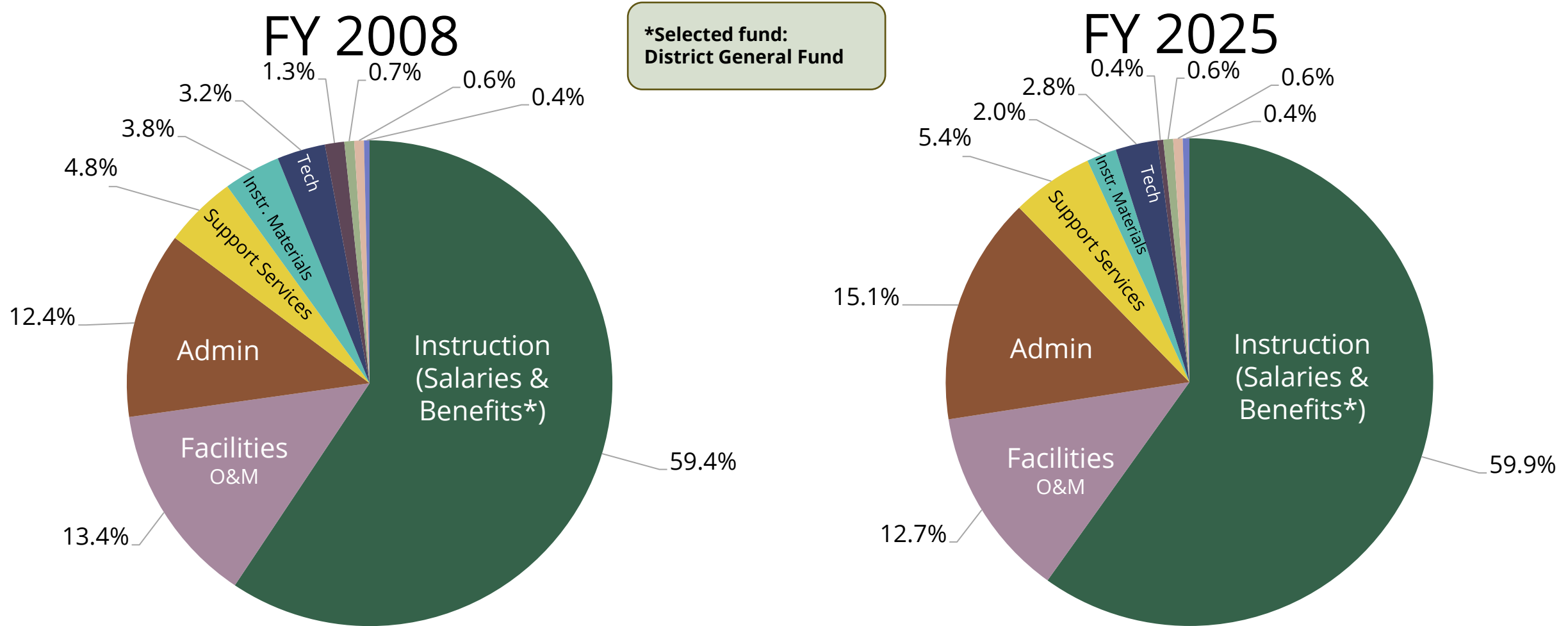


## District General

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

Though not used exclusively for instructional costs, the district general fund is a point of focus because it is funded by the school funding formula

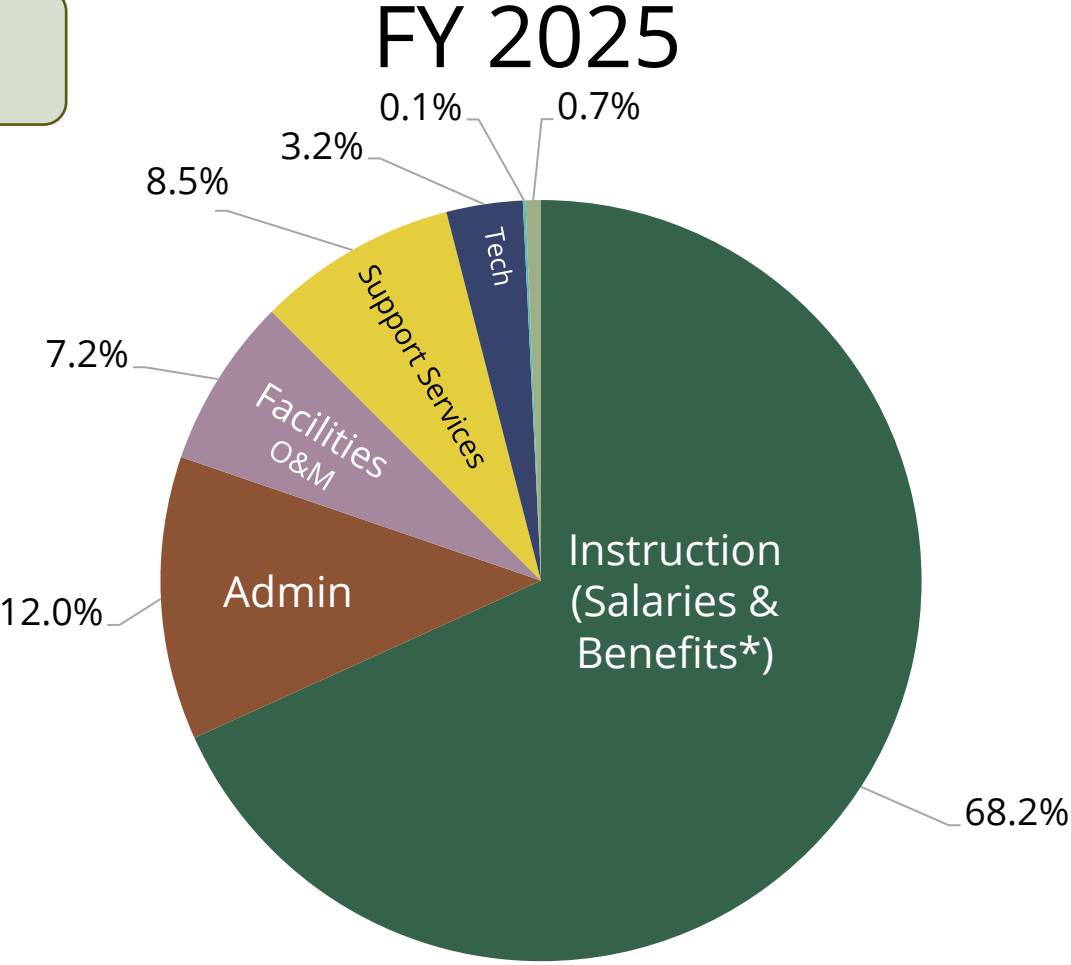
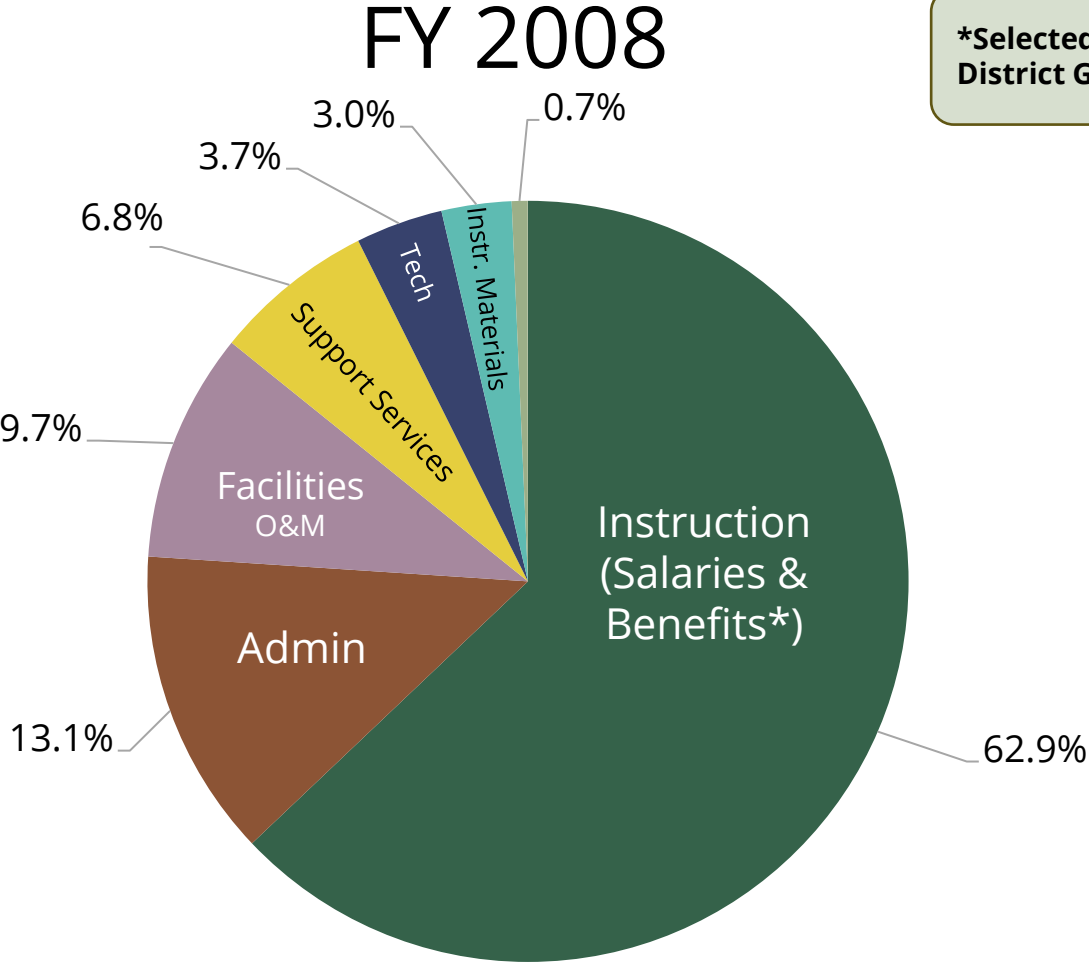
# Cost Drivers: District General Fund (Statewide)



\*Retirement Fund is not included

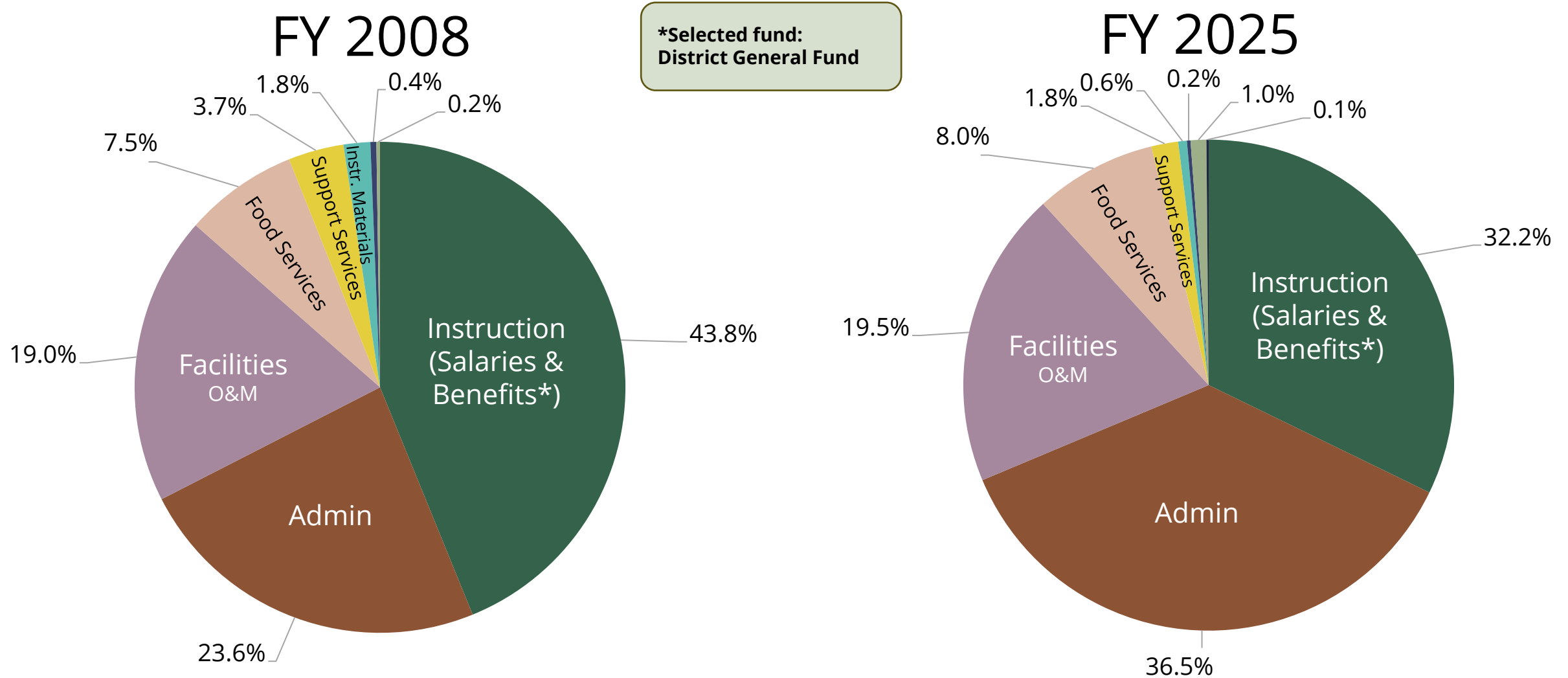
# Cost Drivers: District General Fund (Bozeman Elem)

\*Selected fund:  
District General Fund



\*Retirement Fund is not included

# Cost Drivers: District General Fund (Trout Creek Elem)



\*Retirement Fund is not included



# School Funding Resources:

<https://www.legmt.gov/lfd/publications/school-funding-library/>

## Property Tax Resources:

<https://www.legmt.gov/lfd/publications/property-tax-library/>

## Staff Contact Info:

Julia Pattin, Legislative Fiscal Division, [julia.pattin@legmt.gov](mailto:julia.pattin@legmt.gov)  
Pad McCracken, Legislative Services Division, [pad.mccracken@legmt.gov](mailto:pad.mccracken@legmt.gov)  
Laura Sankey-Keip, Legislative Services Division, [laura.sankeykeip@legmt.gov](mailto:laura.sankeykeip@legmt.gov)  
Becca Brown, Legislative Services Division, [rebecca.brown@legmt.gov](mailto:rebecca.brown@legmt.gov)  
Kate Johnson, Legislative Fiscal Division, [katharine.johnson@legmt.gov](mailto:katharine.johnson@legmt.gov)

# Questions?

