

# K-12 Funding: School Facilities

School Funding Interim Commission

November 13<sup>th</sup> & 14<sup>th</sup>, 2025

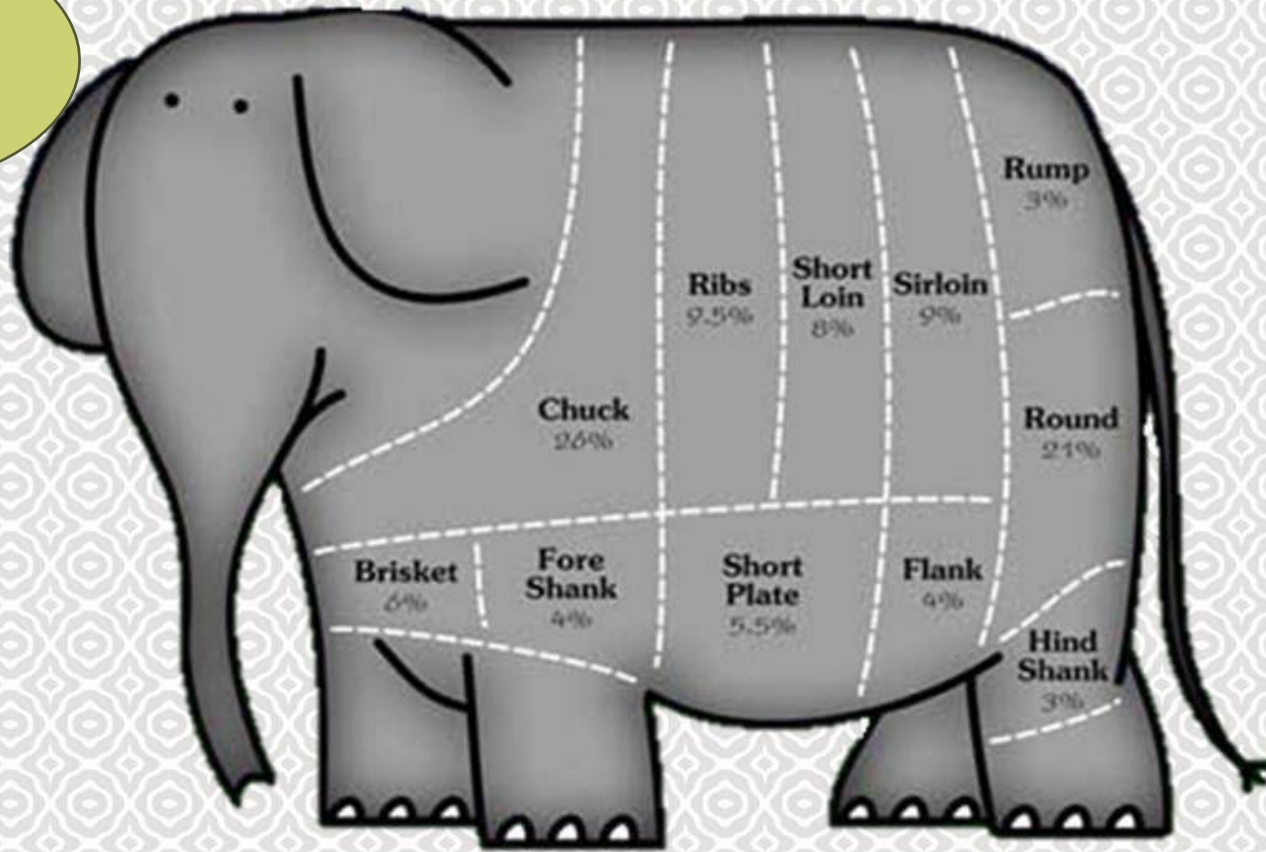
Prepared by

Pad McCracken, LSD

Julia Pattin, LFD



Let's learn  
about school  
funding!



one bite at a time...

The theme of today's school funding snack is:

- **School facilities**
- **The Building Reserve Fund**
- **Major Maintenance Aid**
- **The Debt Service Fund**
- **The Building Fund**
- **Debt Service Assistance**

Remember, this is just a snack. Let us know what more your appetite requires, and we'll bring more to the table next time!

<https://medium.com/@zrehan286/approaching-a-problem-f6d6138e70d1>

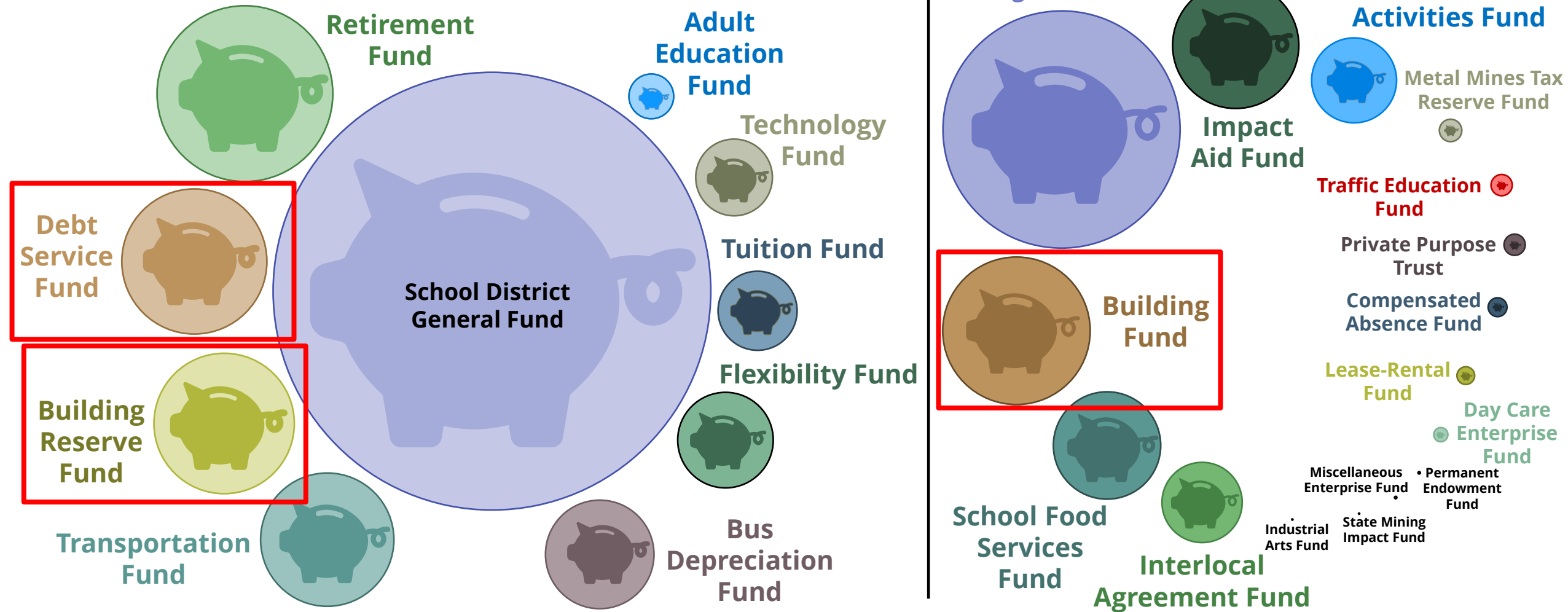
# School Facilities – 3 Tiers

The 2015-16 School Funding Interim Commission devoted considerable time to School Facilities and included the following in its [Final Report](#) findings:

1. The commission identified three “tiers” related to facility needs:
  - a. **Tier 1—Operations and regular maintenance (O&M)** – basically the normal costs of heating, cleaning, and running a building (the state and district share a large portion of these costs via the district general fund);
  - b. **Tier 2—Major maintenance** – those larger, periodic investments, like replacing a roof or boiler, resurfacing floors, fixing or replacing windows (this was an area of funding concern due to unpredictable state support of the QSFGP and lack of district commitment evidenced by just over a quarter of districts utilizing building reserve funds); and
  - c. **Tier 3—New construction including additions and major renovations** (district bond levies are the main funding vehicle for this and state support of poorer districts through the facility reimbursement program [now “debt service assistance”] has eroded over the last decade).
2. Local effort in building and maintaining district facilities helps ensure prudent planning and ongoing maintenance.
3. District capital improvement planning is more effective when:
  - a. districts are provided greater budgetary flexibility;
  - b. state support for school facilities is consistent;
  - c. state programs are flexible in meeting the varied needs of districts; and
  - d. districts have a long-term facilities plan based on an updated facility condition inventory.

## Budgeted Funds

## Non-Budgeted Funds



# Current Funding for School Facilities

## Federal

- **Impact Aid** – federal funding for federally-connected children whose families live or work on nontaxable federal land (tribal land, forest land, national parks, military bases, etc.); includes general support payments, which can be used in support of almost any school district function including facilities, funds earmarked for special education, and funds earmarked for construction grants; totaled \$78 million in FY 2025 (of which \$1.0 million was for construction grants)
- **ESSER Covid-19 Funds** – one-time-only federal funding in response to the Covid-19 pandemic; only some of the many allowable uses of the funding were for facilities; totaled \$593 million from FY 2020 – FY 2025

## State

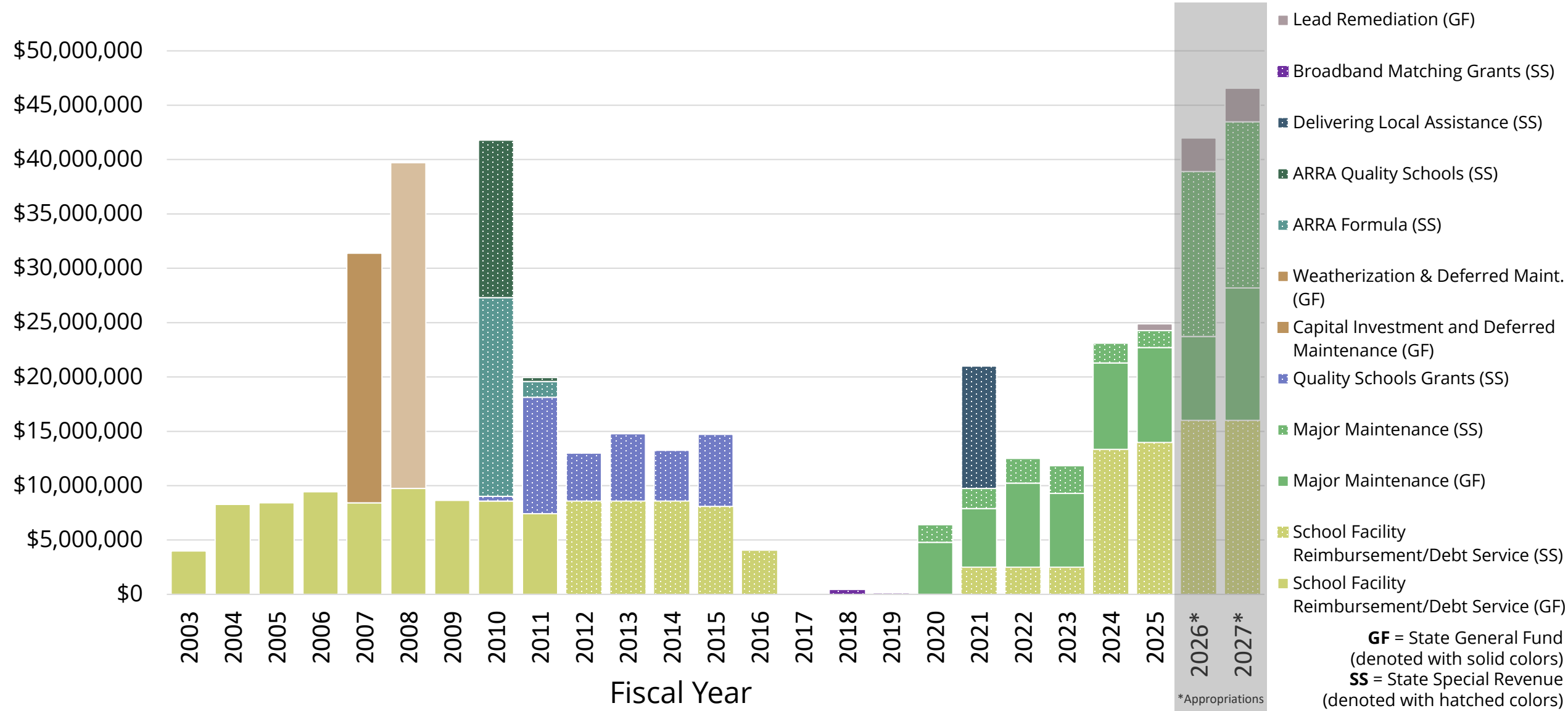
- **Major Maintenance Aid** – a state funding program to help districts with school maintenance projects; totaled \$10 million in FY 2025
- **Debt Service Assistance** – a state funding program to help districts with less property wealth with their bonded debt; totaled \$14 million in FY 2025
- **Lead Remediation funding** – a state-funded program administered by the Department of Environmental Quality to reimburse schools for the costs with complying with the Department of Public Health and Human Services lead in school rule; totaled \$611,000 in FY 2025

## Local

- **Local property tax levies** in the district building reserve fund and the district debt service fund; totaled \$151 million in FY 2025
- **Fund balance reappropriated** (leftover funds from the prior year) in the district building reserve fund and the district debt service fund; totaled \$131 million in FY 2025
- **Non-levy revenues** in the district building reserve fund and the district debt service fund; totaled \$4 million in FY 2025
- **Transfers and other smaller sources**; totaled approximately \$7 million in FY 2025



# State Funding for School Facilities Over the Years



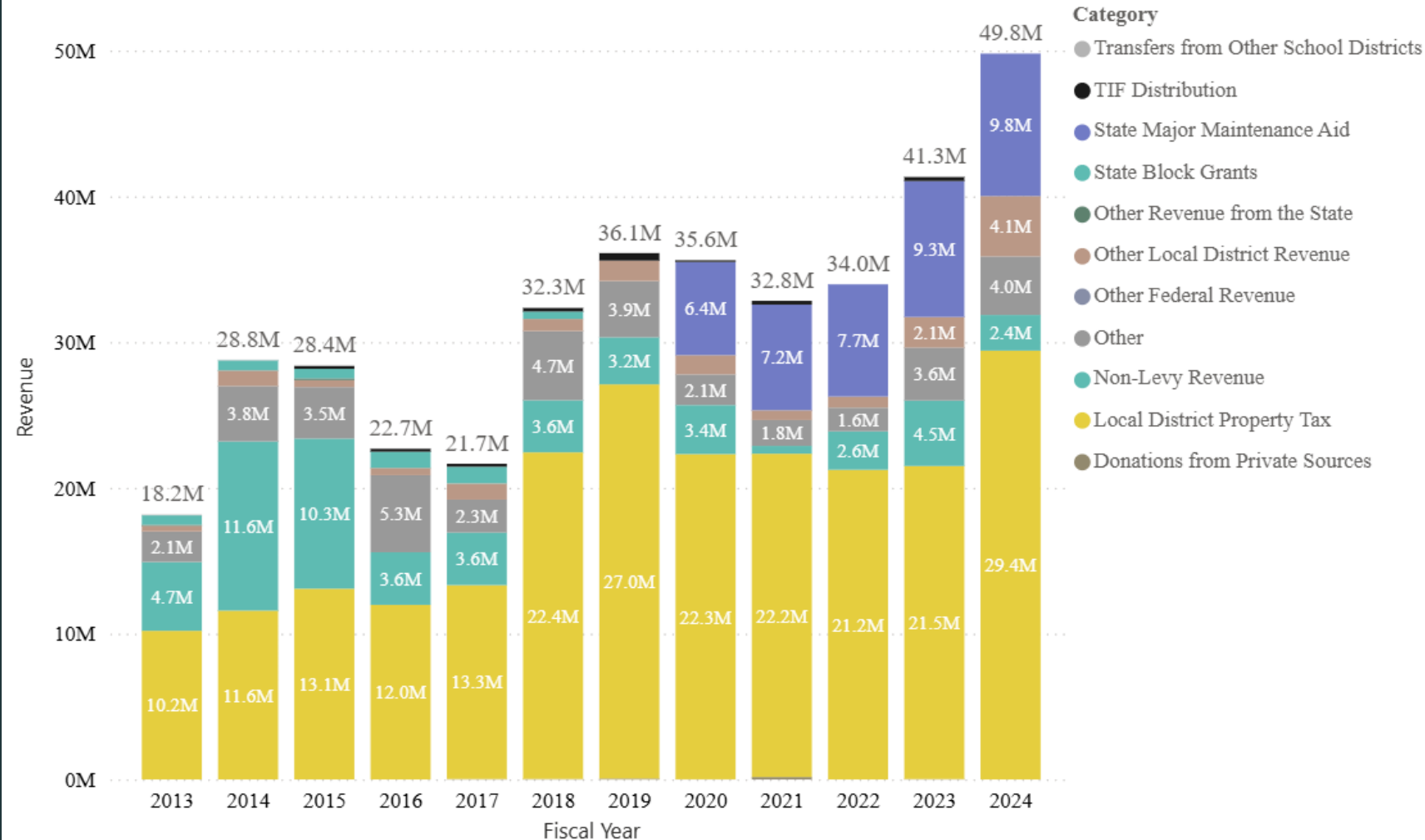


# **The Building Reserve Fund**

# The Building Reserve Fund – Revenues

- [20-9-502, MCA](#)
  - Voted property tax levies for major maintenance projects
  - State major maintenance aid
  - Matching funds for state major maintenance aid are funded through a permissive district property tax levy (up to 10 mills for EL/HS districts & 20 mills for K-12 districts) or by transfers from other funds
  - Non-levy revenues
- See the [Building Reserve Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

The addition of state major maintenance aid beginning in FY 2020 has provided more funding in the building reserve fund while lowering property taxes.



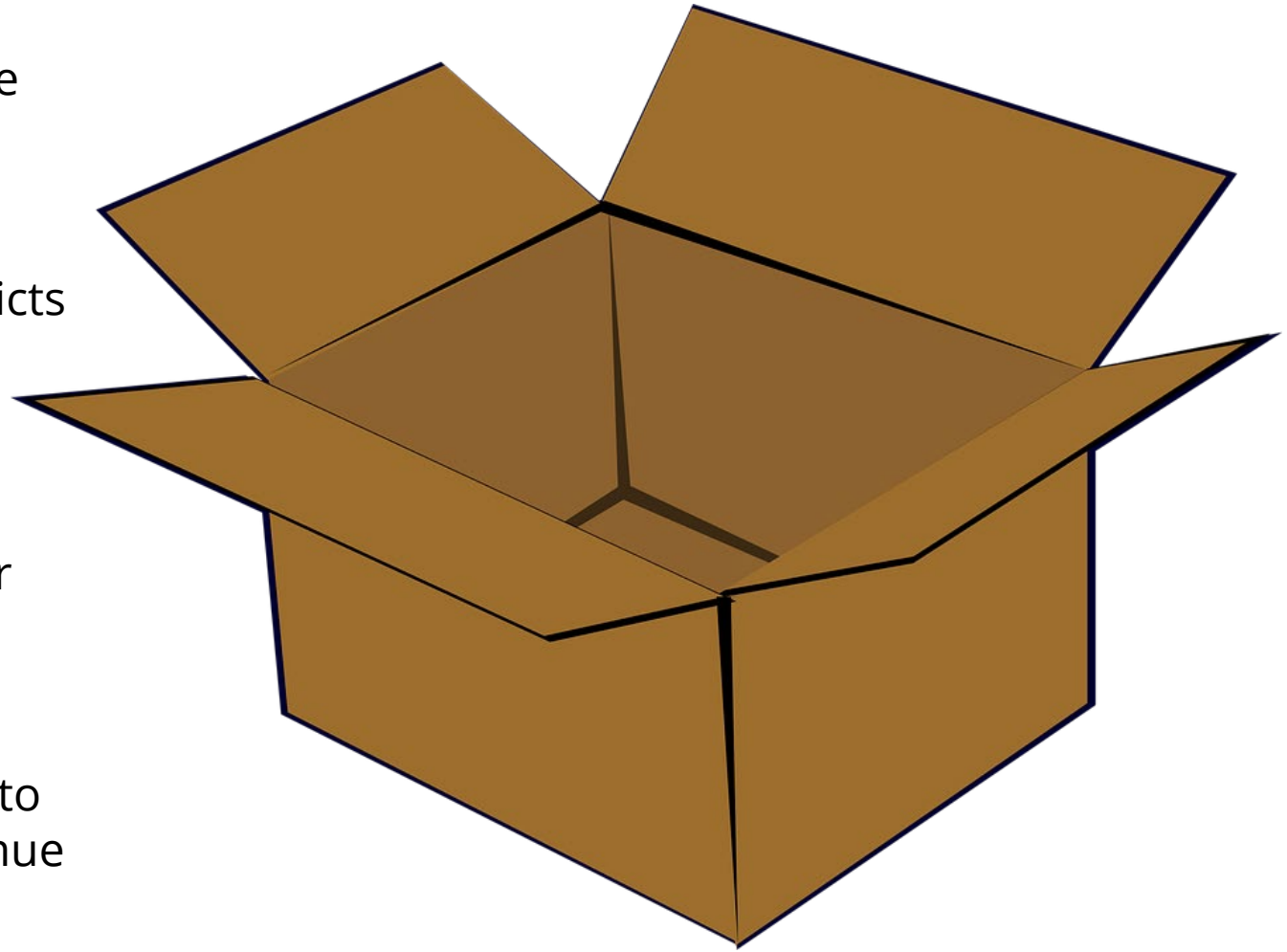


# State Major Maintenance Aid

State major maintenance aid (MMA) might be the most complex of all the school funding formulas found in Title 20, MCA.

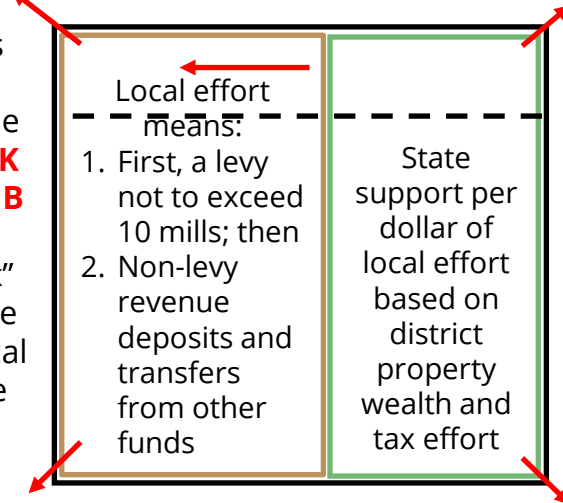
It is **GTB-like** in that it provides more aid to districts with lower taxable value, but it provides a state subsidy per-dollar of local effort (this can be a permissive levy up to 10 mills, or transfers from other funds) to every district that chooses to participate, ranging from about 17¢ per dollar for the “wealthiest” districts to \$4 per dollar in the “poorest” districts.

The local effort and state subsidy are calculated to allow the district to raise a fixed amount of revenue based on district size. This fixed amount is affectionately known as “the box.”



**SB 307 (2017; now 20-9-525)**  
**School Major Maintenance Program:**  
**Calculating “the Box” and**  
**determining ratio of state support\***  
**Amended by HB 515 (2025; Reksten) to**  
**provide more state aid by “growing**  
**the box” and “increasing the**  
**multiplier”**

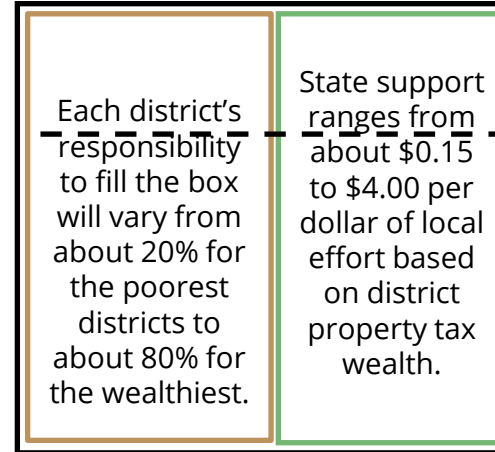
School districts are given the authority to raise up to ~~\$15K~~ **\$40 K** + ~~\$110~~ **\$115/ANB** annually—this amount or “box” is intended to be filled by both local effort and state support.



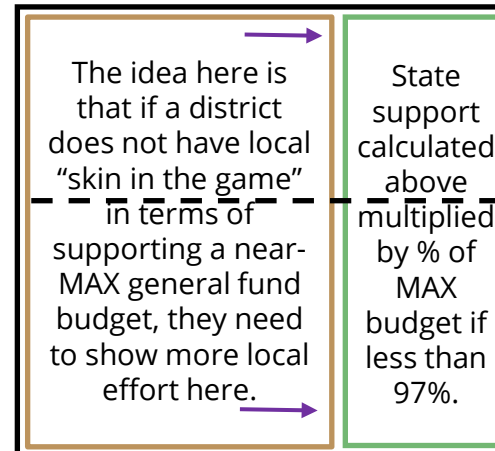
A district can determine to fill its “box” to any level (see dotted orange line) with the ratio of local effort to state support remaining the same—to get the “green” the district must put in the “yellow”.

\* State support is subject to appropriation and proration depending on available revenue.  
**HB 515 provides adequate revenue to ensure full funding of State MMA Aid, even with this larger “box” size**

First, determine the ratio of local effort to state support based on district wealth.



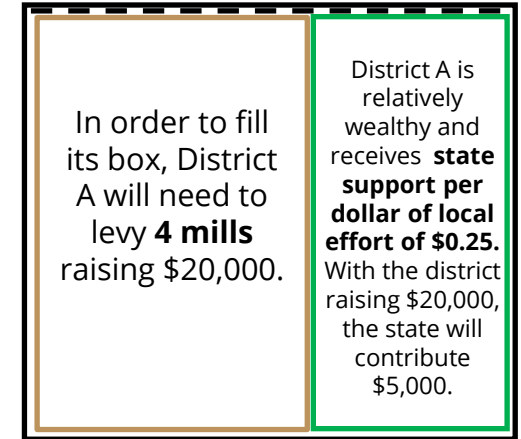
Then, if a district's adopted general fund budget is less than 97% of its MAX budget, the area of state support is decreased and more local effort is required.



Examples using OLD “box” size to demonstrate how the MMA formula equalizes for district property wealth

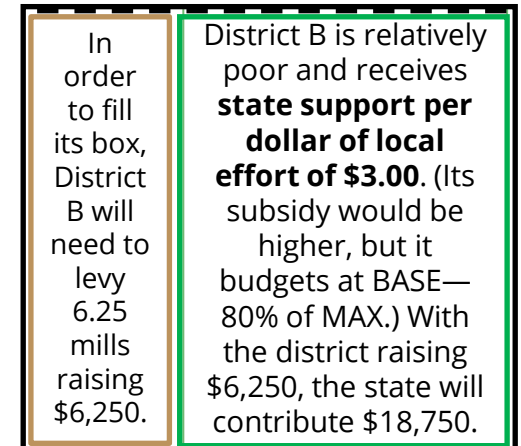
### Example 1

District A has 100 ANB, so its box is \$25,000 (\$15K + (100 x \$100). The district would like to raise \$50,000 over the next two years to replace a failing boiler. District A's mill value is \$5,000, so it will levy 4 mills to raise the money.



### Example 2

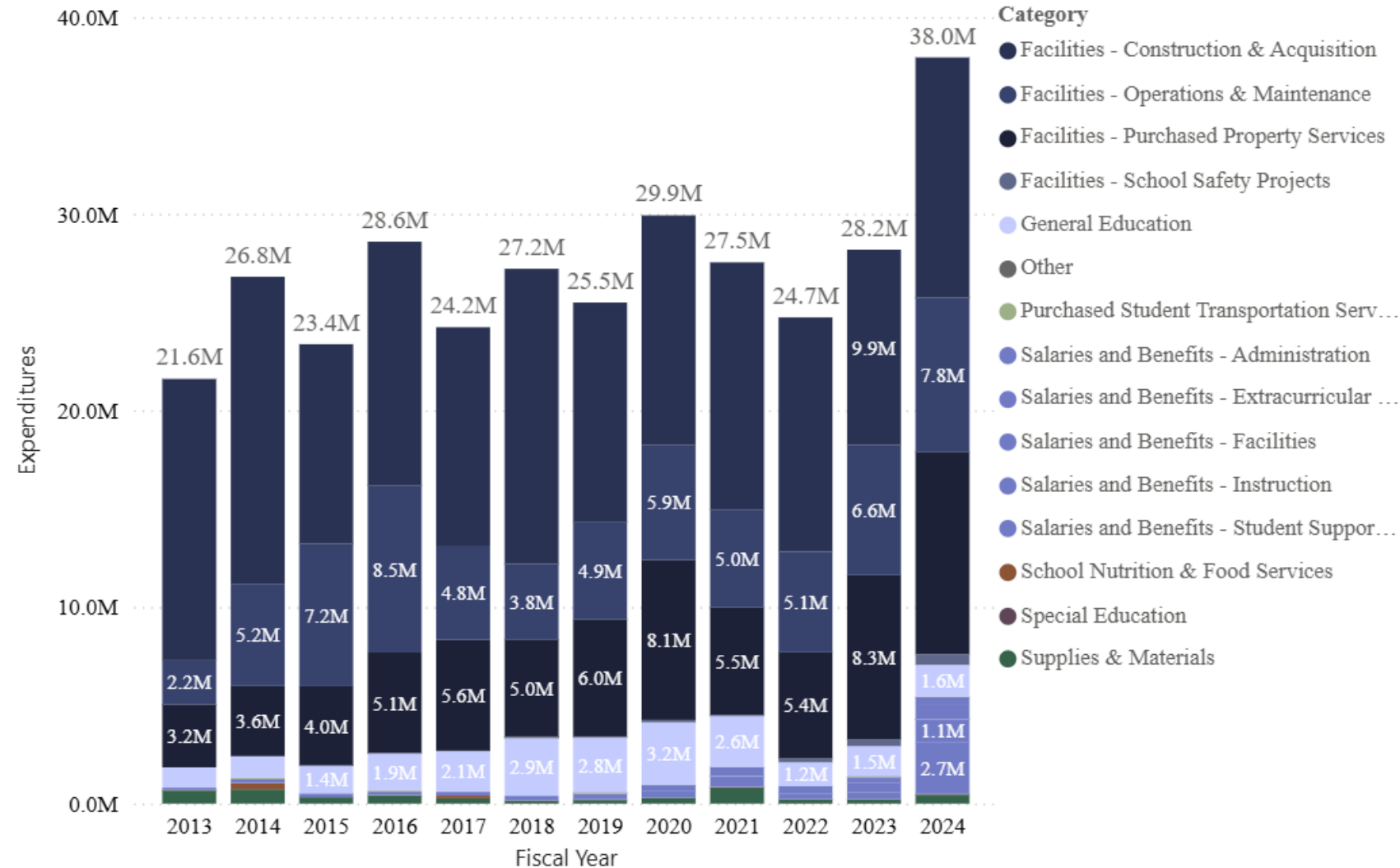
District B has 100 ANB, so its box is \$25,000 (\$15K + (100 x \$100). The district would like to raise \$50,000 to replace a boiler over the next two years and anticipates full state support each year. District B's mill value is \$1,000, so it will levy 6.25 mills to raise the money.



# The Building Reserve Fund – Expenditures

- [20-9-502, MCA](#)
- The school district building reserve fund has been modified in recent legislative sessions to help ensure that school districts can perform major maintenance projects (like replacing roofs and boilers) and any necessary security and safety improvements.
- See the [Building Reserve Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

As a reserve fund, the building reserve fund is generally intended to accumulate money over a period of years in anticipation of a major maintenance project, but it can also be used to repay loans.





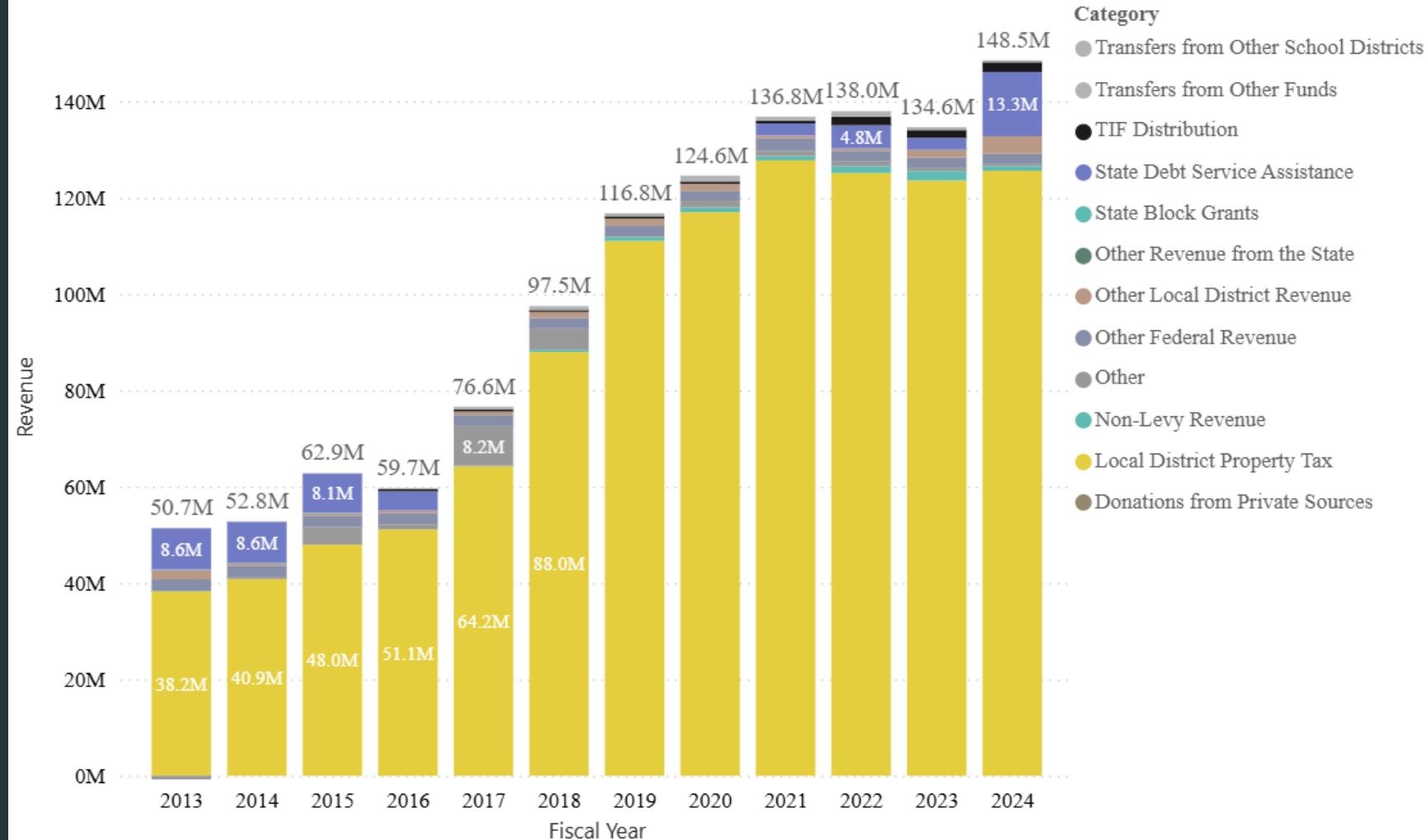


# **The Debt Service Fund**

# The Debt Service Fund – Revenues

- [20-9-483, MCA](#)
  - Voted property tax levies
  - State debt service assistance
  - Non-levy revenues
- See the [Debt Service Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

When voters approve a bond issue, they are giving the district their approval to be taxed in order to service (pay back) the debt on those bonds over a period of years.



# State Debt Service Assistance

The state has a program in place to help poorer districts with their bonded debt; it is called Debt Service Assistance (formerly known as Facility Reimbursements or Debt Service GTB). It is fairly complicated.

Note that its formulaic entitlement caps (based on ANB) have not increased since 2003.

In a nutshell the formula takes into consideration:

- Property wealth (mill value)
- Number of students (ANB)
- Grade level
- District debt
- State funding appropriated and available

These 2 columns list the district mill value per ANB and the facility guaranteed mill value per ANB. These determine a district's eligibility for reimbursement and the "state share of minimum obligation". If a district's mill value per ANB is less than the state guaranteed mill value per ANB, the district is eligible for facility reimbursement. 20-9-366

This column is calculated by multiplying the district's ANB by the entitlement amounts in 20-9-370—\$300 per EL ANB; \$450 per HS ANB; \$370 per MS ANB.

What the district owes for the current year

[1 – (district mill value per ANB ÷ facility guaranteed mill value per ANB)]; basically establishes a ratio of a district's relative tax wealth

The state reimbursement is based on the lesser of the two previous columns

Actual state payments are often reduced based on the "prorate" of the prior year (advances) or the current year (reimbursements). Advances are paid first affecting the prorate of reimbursements. The prorate can be further reduced if revenue in the school facility and technology account is less than the amount appropriated.

		S/ANB Mill	Budget ANB				Total District	Debt Service	State	Share Of	Maximum	*Advance	Reimbursement	
Level	District	State	E	M	H		Entitlement	Obligation	Minimum	Minimum	@ Mill Value	@ Prorate	@ Prorate	
									Obligation	Obligation	Difference	62.7278%	85.7645%	
01 Beaverhead														
	0005 Dillon Elem	EL	17.36	32.80	544	159	0	222,030.00	667,865.68	222,030.00	47.07%	104,516.56	0.00	89,638.15
02 Big Horn														
	0023 Hardin Elem	EL	8.80	32.80	1,204	282	0	465,540.00	196,396.04	196,396.04	73.17%	143,704.42	0.00	123,247.42
	1189 Hardin H S	HS	45.70	79.13	0	0	445	200,250.00	439,615.17	200,250.00	42.25%	84,599.49	0.00	72,556.36

This [memo](#) from the 2015-16 SFIC attempts to explain the formula by annotating the FY 2014 distribution report.

The FY 2025 distribution report is available [here](#).

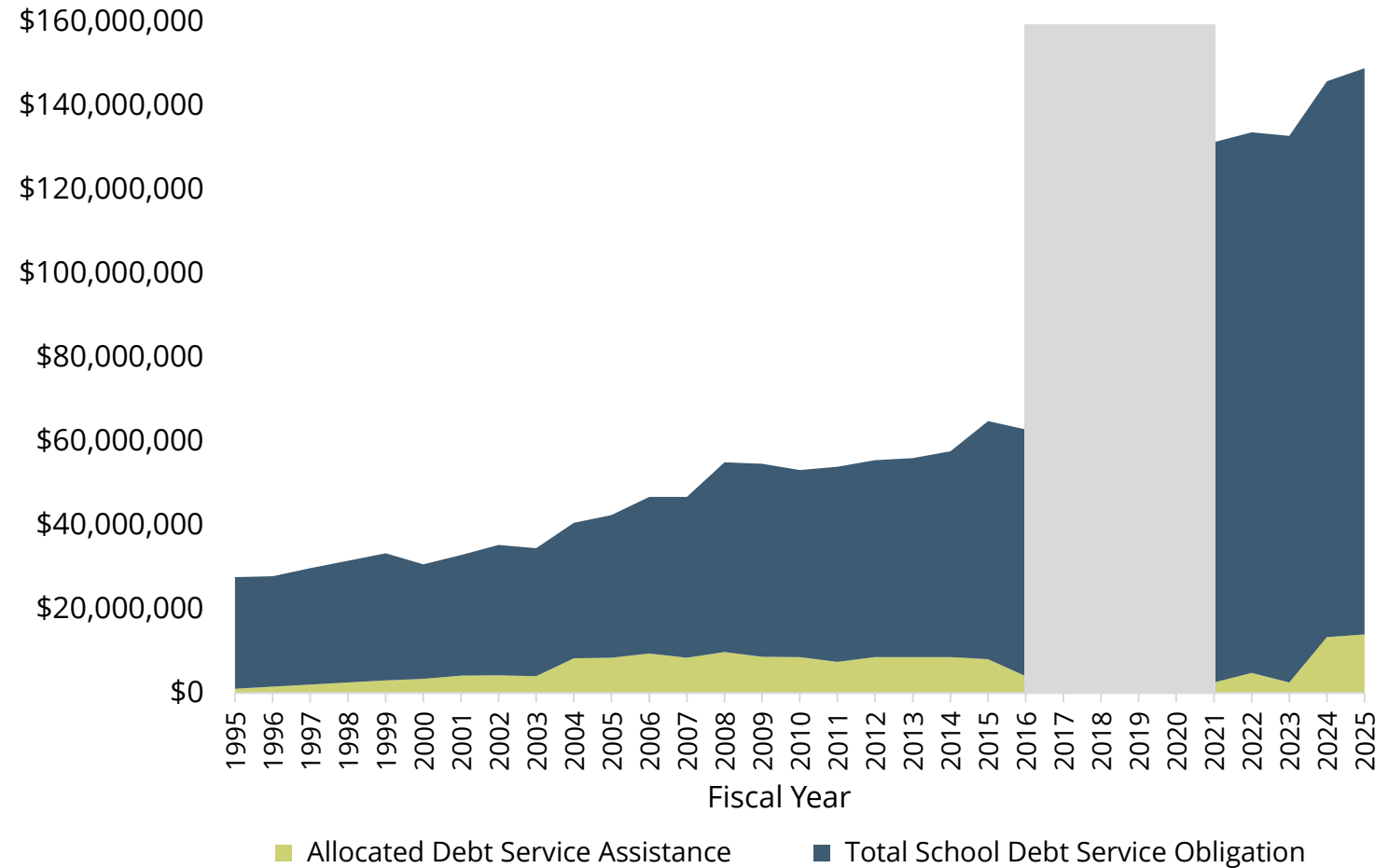


# State Debt Service Assistance

In the mid-2000s when state debt service assistance was fully funded (and debt obligations were much lower), the program covered 20-25% of statewide debt obligation.

In recent years, the program has covered less than 5% of the statewide debt obligation, and in FY 2017 – 2020 the program was not funded at all.

Recent legislative efforts, including the creation of a school facilities fund within the coal tax trust, should help ensure more robust funding of the program going forward.

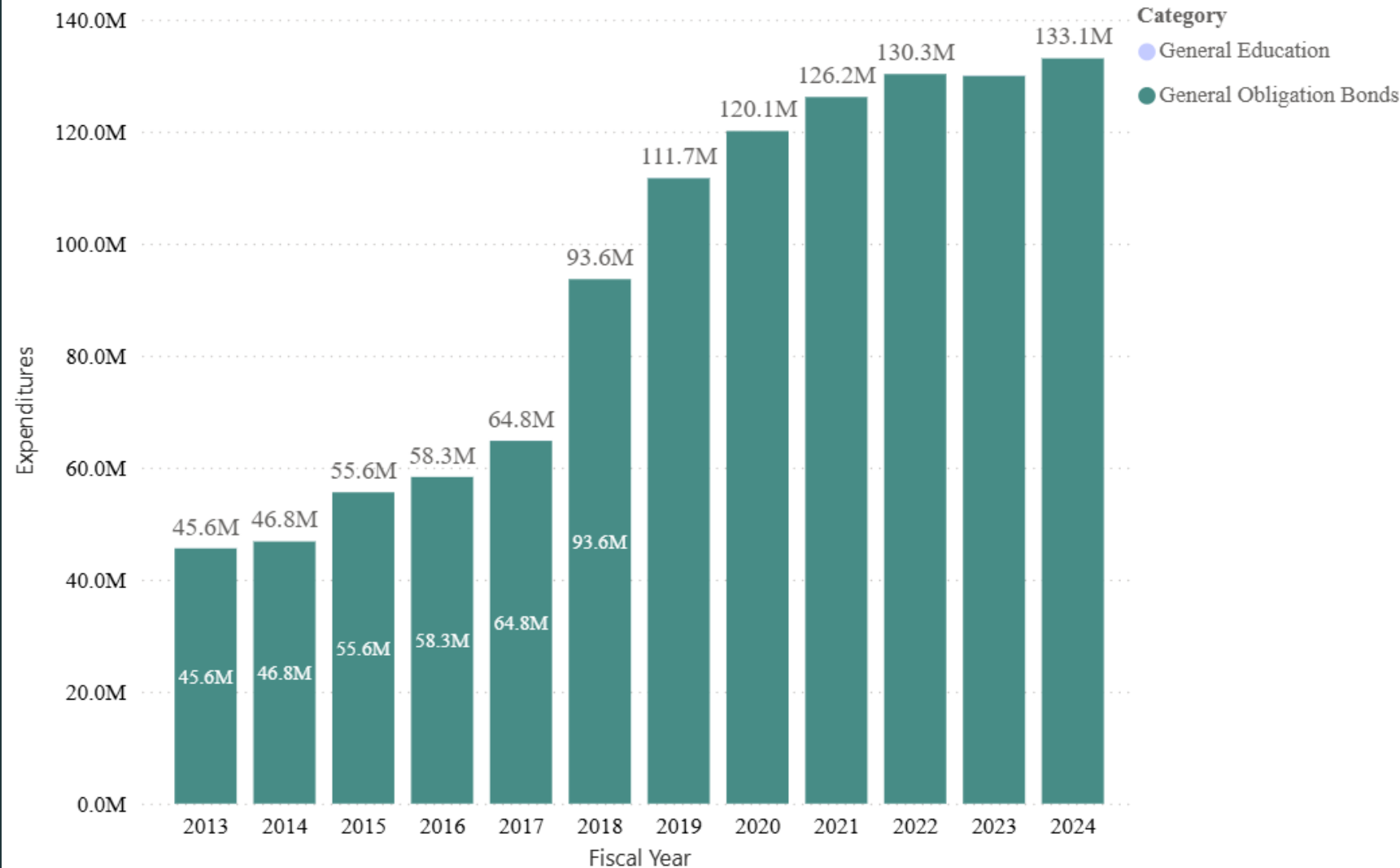


\*Data unavailable for FY 2017-2020 when Debt Service Assistance was not funded

# The Debt Service Fund – Expenditures

- [20-9-483, MCA](#)
  - The debt service fund is used to service (pay off) the debt the district has incurred from issuing (selling) bonds, typically for major construction
  - Proceeds from issuing the bonds go into a non-budgeted “sister fund”– the building fund– out of which the district pays construction costs
- See the [Debt Service Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

While the jargon is different, debt service may be easier to understand if you think of it like taking out a mortgage or construction loan on a house– you borrow the money to purchase or build, and then you have to pay it back over time.



# Funding for Major Maintenance Aid and Debt Service Assistance – it's a mixed bucket

## ENACTED in HB 515

“bucket unification”

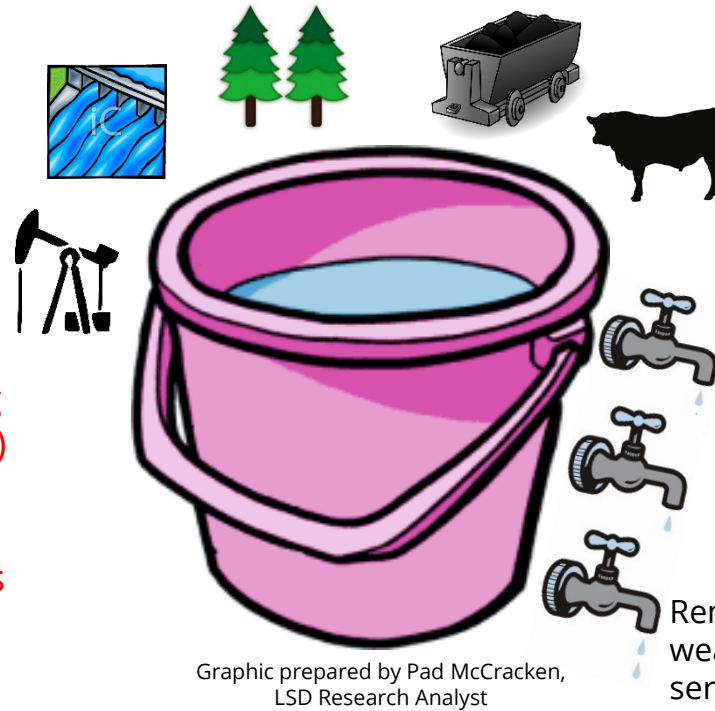
Consolidates accounts and existing revenue streams into one account with funding programs prioritized

Transfers ≈ \$50M of State GF to School Facility Fund (sub-trust in coal trust) bringing fund to \$275M (the fund is capped at \$300M)

Retains the NRD as a general fund appropriation in HB 2 under 20-9-635; allows the NRD to support both MMA and debt service assistance (≈ \$12M/year)

Funding for these two state programs to support school facility needs comes from a combination of state general fund (NRD) and state special revenue.

The Legislature will need to watch the ongoing revenue to ensure full funding of these programs.



Graphic prepared by Pad McCracken,  
LSD Research Analyst

## School Facility and Technology Account (20-9-516)

Revenue from:

- Timber harvests (≈ \$3M/year)
- Riverbed rents (≈ \$3M/year)
- Interest earnings from school facility sub-trust of coal tax trust fund (≈ \$12M/year)
- Excess interest and income from public school fund and state lands (varies)

\$1 million for tech statutorily appropriated as in current law

State **school major maintenance aid** (state matching funds for roofs, boilers, etc. and less reliance on local taxes)

Remainder for **debt service assistance** to support lower-wealth districts in repaying construction bonds (lowers debt service levies)

## HB 2 Appropriations for FY 2026

	State GF	State Special				Total
a.		Debt Service Assistance (Restricted)				
	0	16,000,000	0	0	0	16,000,000
b.		Major Maintenance Aid (Restricted)				
	7,720,443	15,175,000	0	0	0	22,895,443



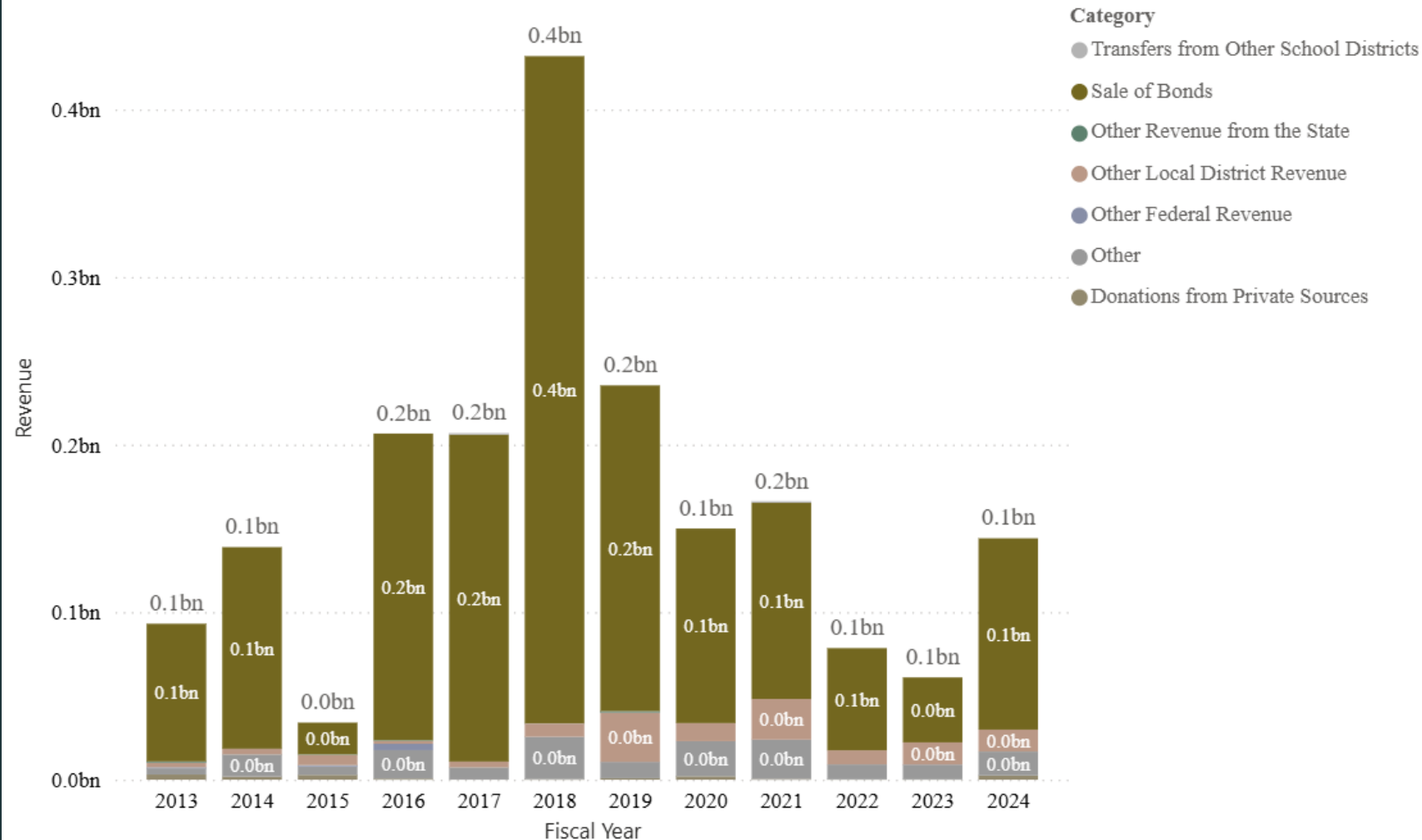
# **The Building Fund**



# The Building Fund – Revenues

- [20-9-508, MCA](#)
- Funded by proceeds from issuing bonds approved by voters
- See the [School District General Fund Interactive Tool](#) to learn more.

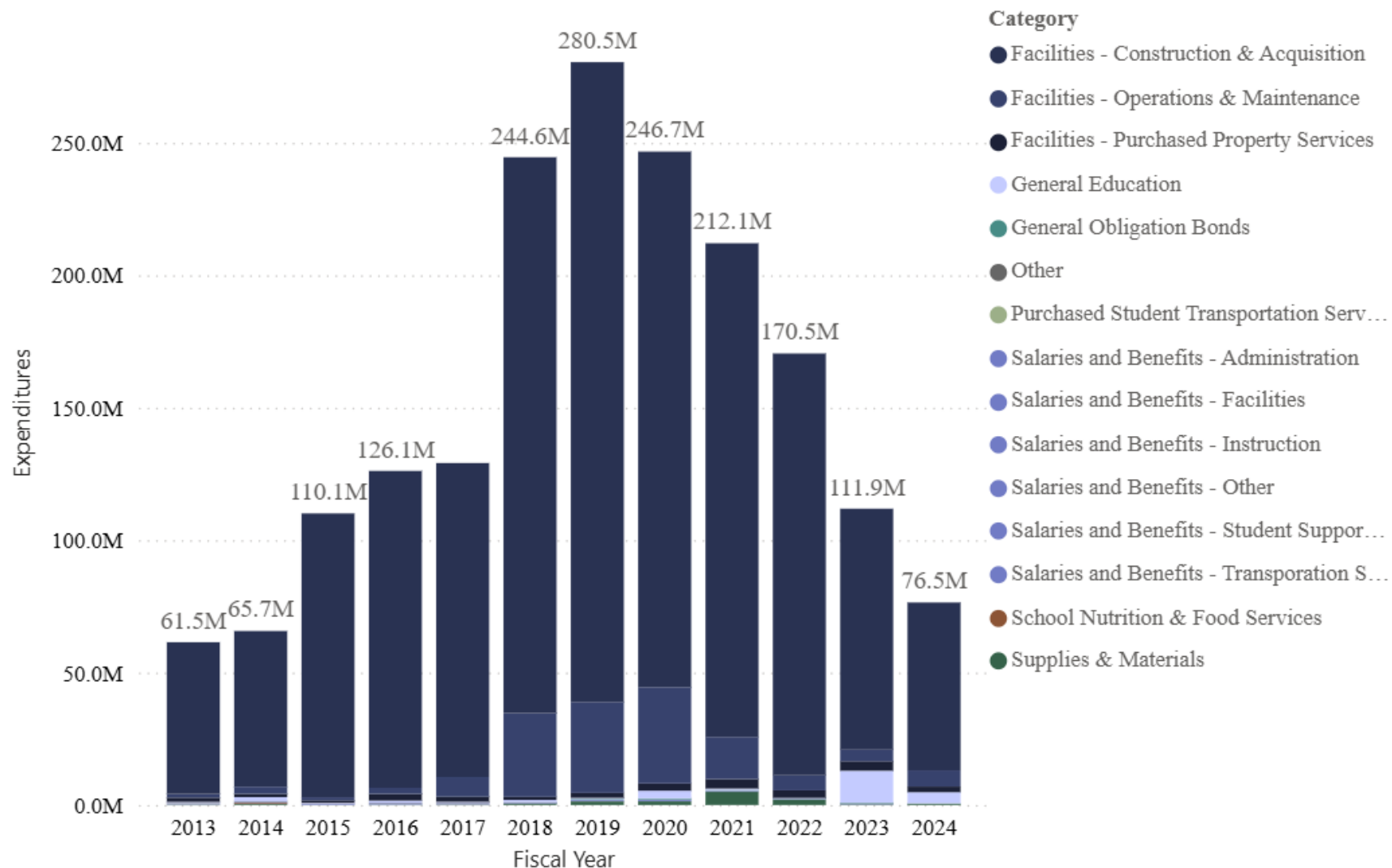
The building fund is designated as a non-budgeted fund to avoid “double counting” expenditures from the budgeted “sister fund”– the debt service fund– which is used to service (pay off) bond debt



# The Building Fund – Expenditures

- [20-9-508, MCA](#)
- See the [School District General Fund Interactive Tool](#) to learn more.

Expenditures out of the building fund are used for school facility construction costs







# **K-12 Public Schools Facility Condition Inventory 2008**

# 2008 FCI Basics

Remember the Special Session of December 2005???

Facilities had been an area of concern in the Columbia Falls I lawsuit, and part of the state's response was to allocate \$2.5 million for a **facility conditions inventory** of EVERY school district building in the state.

- January to April 2008
- 42 field inspectors
- 15,000 hours
- 2,200 buildings
- 31 million square feet
- Finding: statewide cost to address facility deficiencies = \$360 million

The inventory was intended to provide each district a prioritized list of improvement projects to work from and update every 2-4 years.

Initially, state major maintenance aid required districts to “dust off” and update this inventory, but this requirement was subsequently removed to provide greater flexibility and reduce reporting requirements.





# 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:

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)  
Julia Pattin, Legislative Fiscal Division, [julia.pattin@legmt.gov](mailto:julia.pattin@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?

