

K-12 Funding: Special Education & the Tuition Fund

School Funding Interim Commission

October 14th & 15th, 2025

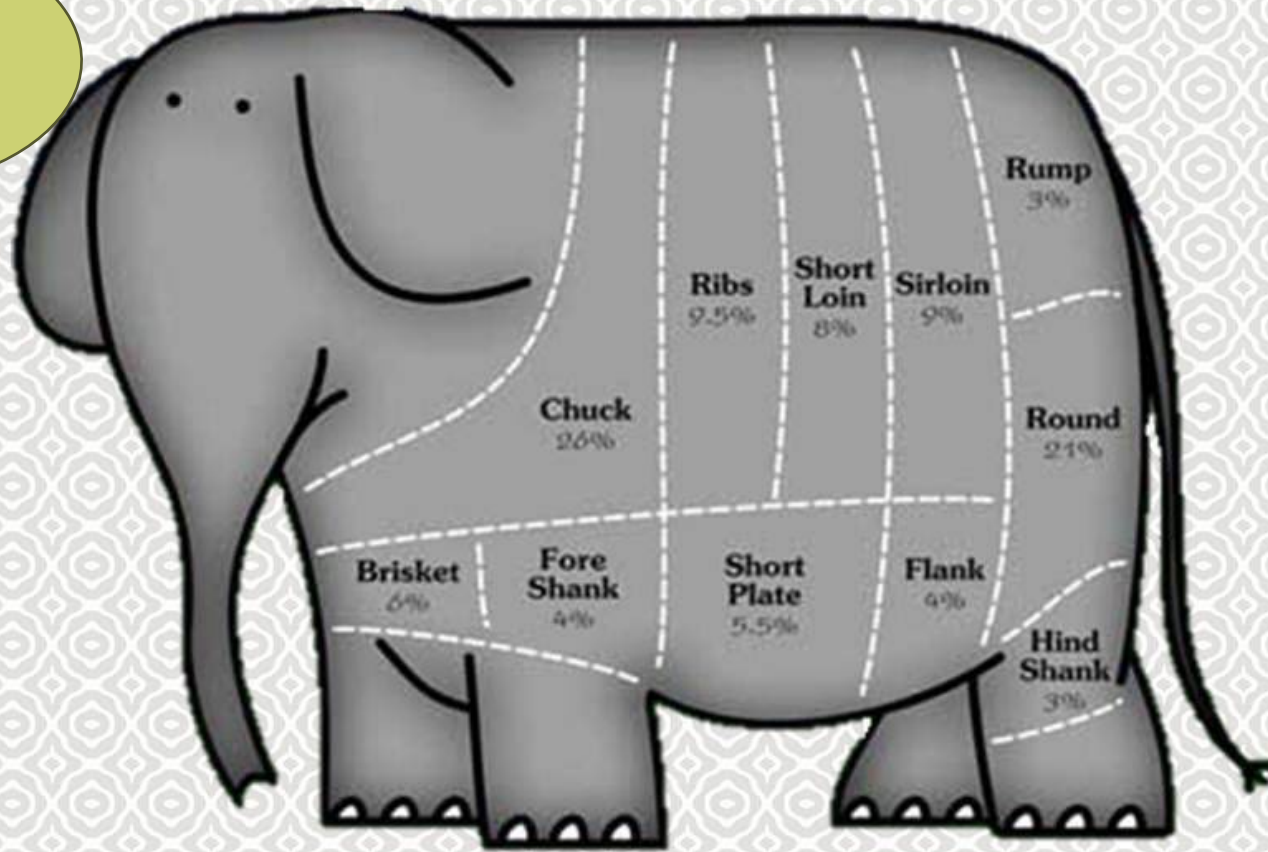
Prepared by

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Let's learn
about school
funding!



one bite at a time...

The theme of today's school funding snack is:

- **special education funding;** and
- **the tuition fund.**

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>



Special Education Funding

Special Education Funding Sources

Federal

- **Individuals with Disabilities Education Act (IDEA)** – federal funding for the education of children with disabilities; totaled \$41 million in FY 2024
- **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.); totaled \$96 million in FY 2024
- **Medicaid Reimbursements**

State

- **State General Fund** – the special education allowable cost payment is based on current year ANB and an inflationary increase (since HB 46 in 2021); totaled \$40.6 million in FY 2024

Local

- **District general fund**, including required local matching funds
- **Local property tax levies** in the tuition fund (SB 191, 2013)

What we are focusing on!

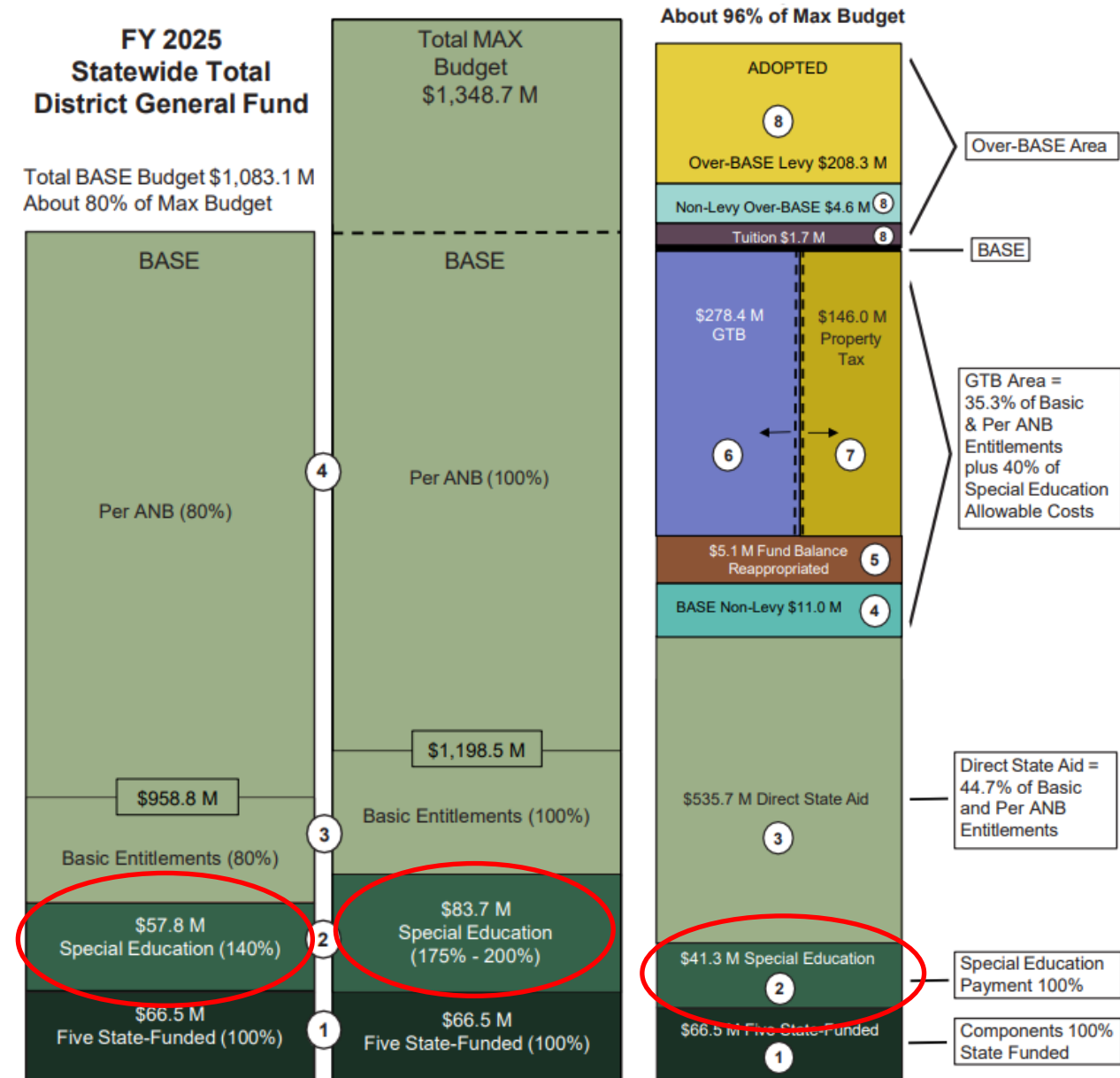
The Funding Formula

Remember – the special education allowable cost payment is a component of the district general fund formula, both in establishing budget limits and as a funding source for the adopted budget

There are two parts to the school funding formula:

We have a formula to establish a district's general fund budget limits (left) and a formula for how a district's adopted budget is funded (right).

- See the [School District General Fund Interactive Tool](#) to look at these district general fund charts by school district.



Divvying out the State Special Education Allowable Cost Payment to Districts and Co-ops

| Component | Distribution | % of total | Sp Ed approp |
|---|-----------------------------|------------|----------------|
| Instructional Block Grant (IBG) | ANB (about \$150/ANB) | 52.5% | \$21.3 million |
| Related Services Block Grant (RSBG) | ANB (about \$50/ANB) | 17.5% | \$7.1 million |
| Reimbursement for Disproportionate Costs | Complex; high-cost students | 25% | \$10.2 million |
| Co-op Admin and Travel | ANB, FTE, mileage | 5% | \$2.0 million |
| Total State Special Education Approp HB 2 | | 100% | \$40.6 million |

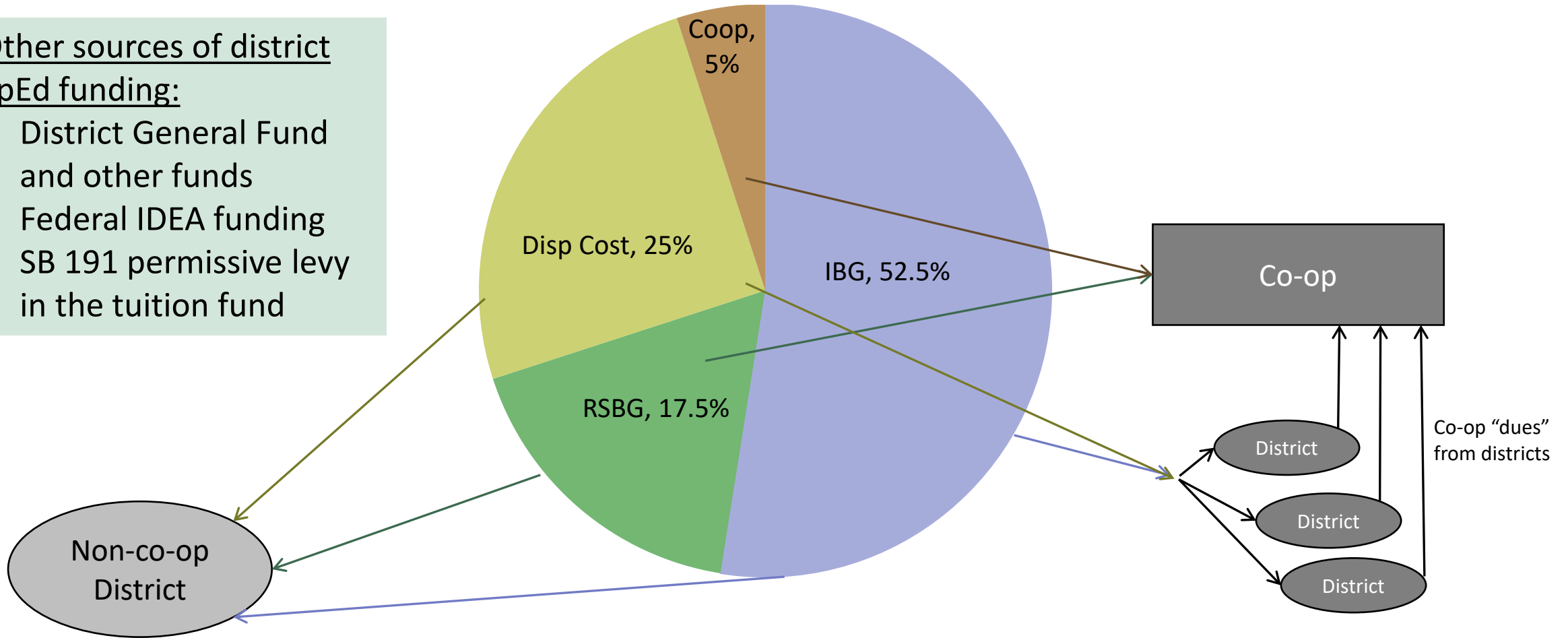
The Block Grants are paid on ALL ANB, not just special education students.

If about 1 in 10 students require special education, then the state payments for the IBG and RSBG provide about \$2,000 in additional funding per special ed student. The local match and federal funds add to this and bring the total amount of additional funds to about \$4,000. While this may be adequate for the differential costs for a student with mild disabilities, the costs for a student with moderate or severe disabilities may greatly exceed this amount.

Divvying out the State Special Education Allowable Cost Payment to Districts and Co-ops

Other sources of district SpEd funding:

- District General Fund and other funds
- Federal IDEA funding
- SB 191 permissive levy in the tuition fund



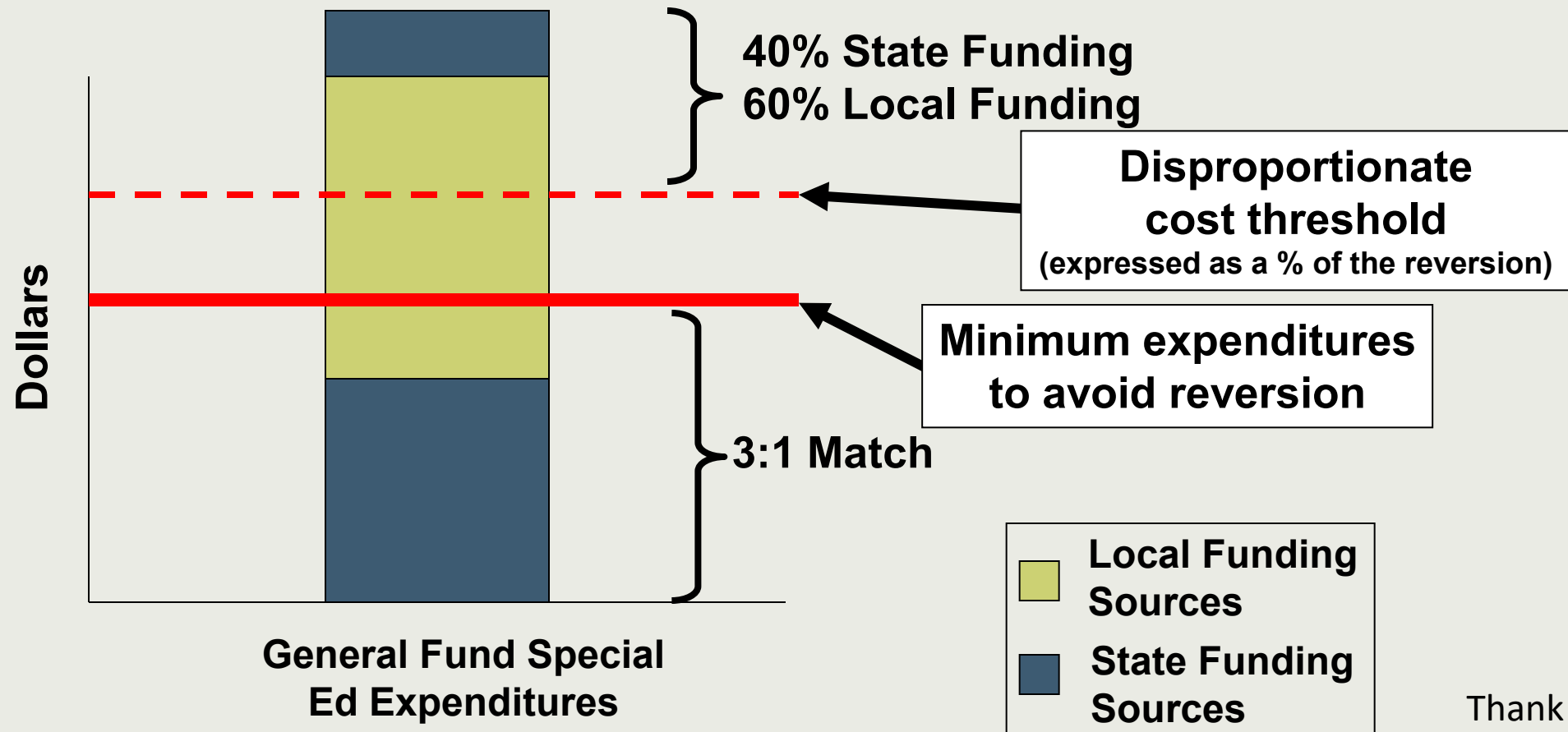
Special Education Expenditures – Local Match Requirement and Reversion

- Local match – districts must spend at least \$1 for every \$3 of IBG and RSBG received.
- The amount of state funding for the IBG and RSBG plus the local match requirement is the “minimum amount of special education expenditures to avoid reversion” – this is akin to the federal “maintenance of effort” requirement under IDEA.
- If a district does not expend the minimum amount on special education in a fiscal year, the districts special education payment in the following year is reduced in the subsequent year by the shortage amount. This is known as reversion.

Special Education – Disproportionate Cost Payment

- 25% of the Special Education Allowable Cost Payment is devoted to the Disproportionate Cost Reimbursement (about \$10 M in FY 24)
- It is based on high special education allowable cost expenditures 2 years prior
- It pays 40 cents on the dollar for special ed expenditures above an annually calculated threshold
- This threshold level has risen dramatically as growth in special education expenditures has outpaced the state payment

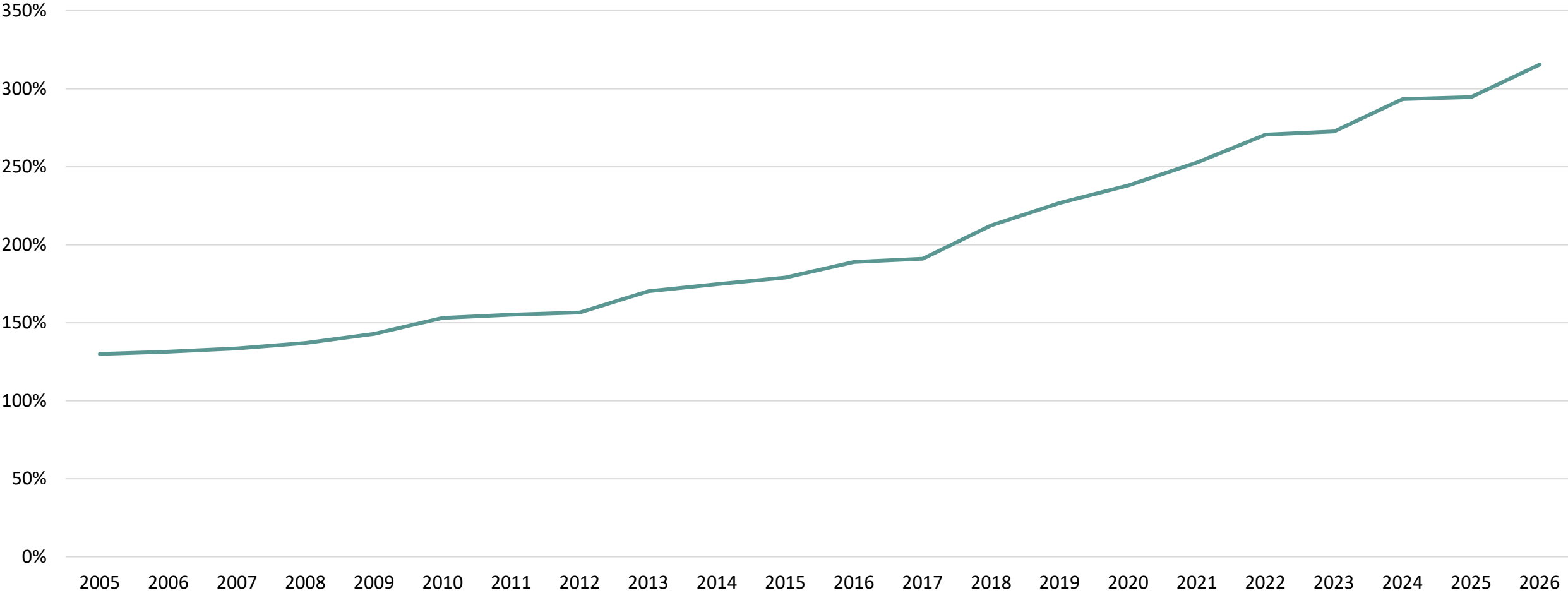
Special Education – Disproportionate Cost Payment (circa 2005 with a threshold of 130%)



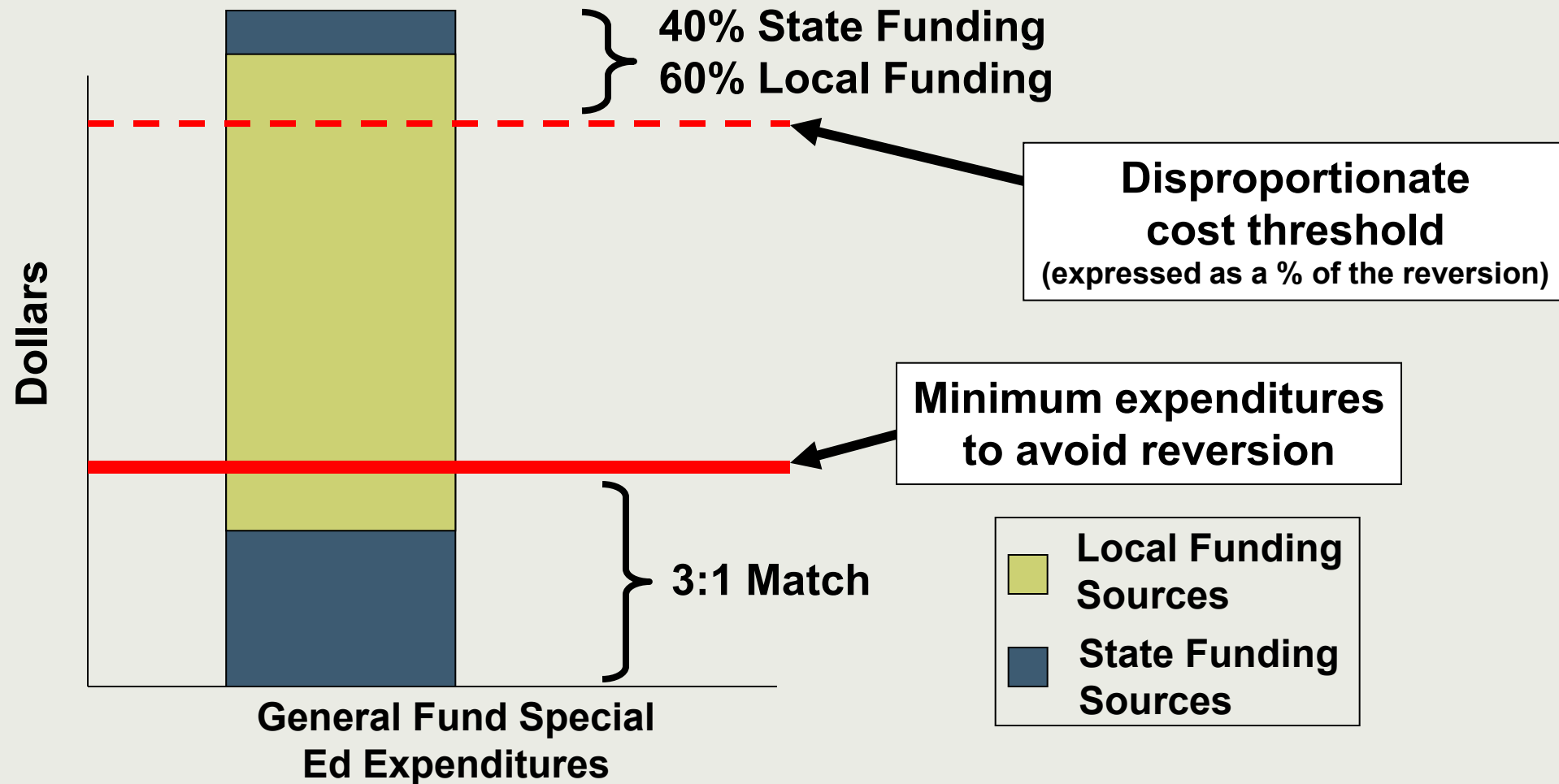
Thank you OPI for
the graphic!

Special Education – Disproportionate Cost Payment Threshold Level History

Disproportionate Cost Payment Threshold Level

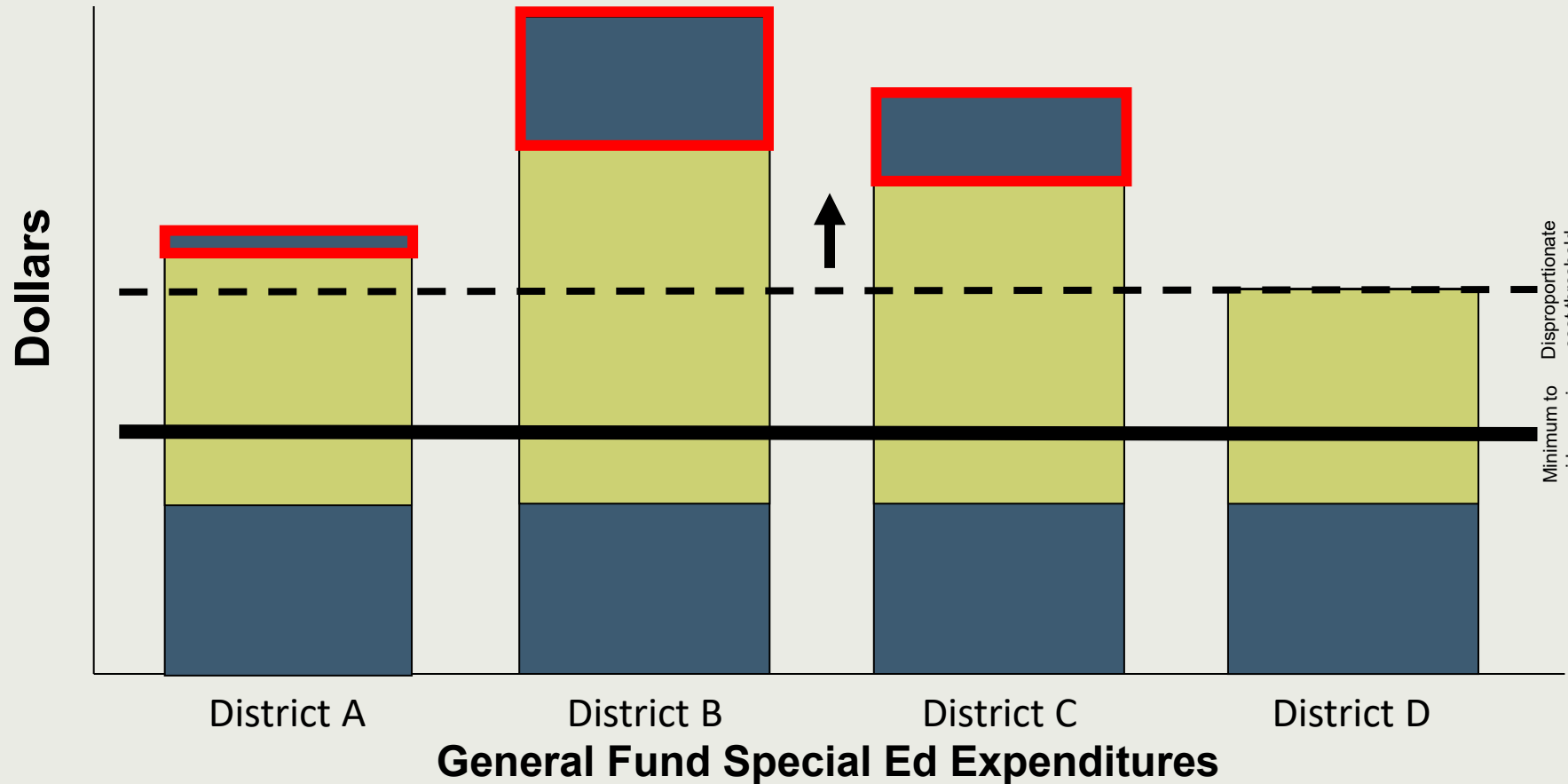


Special Education – Disproportionate Cost Payment (circa 2025 with a threshold of 300%)



Special Education – Disproportionate Cost Payment

*Assume all districts in this example have the same ANB

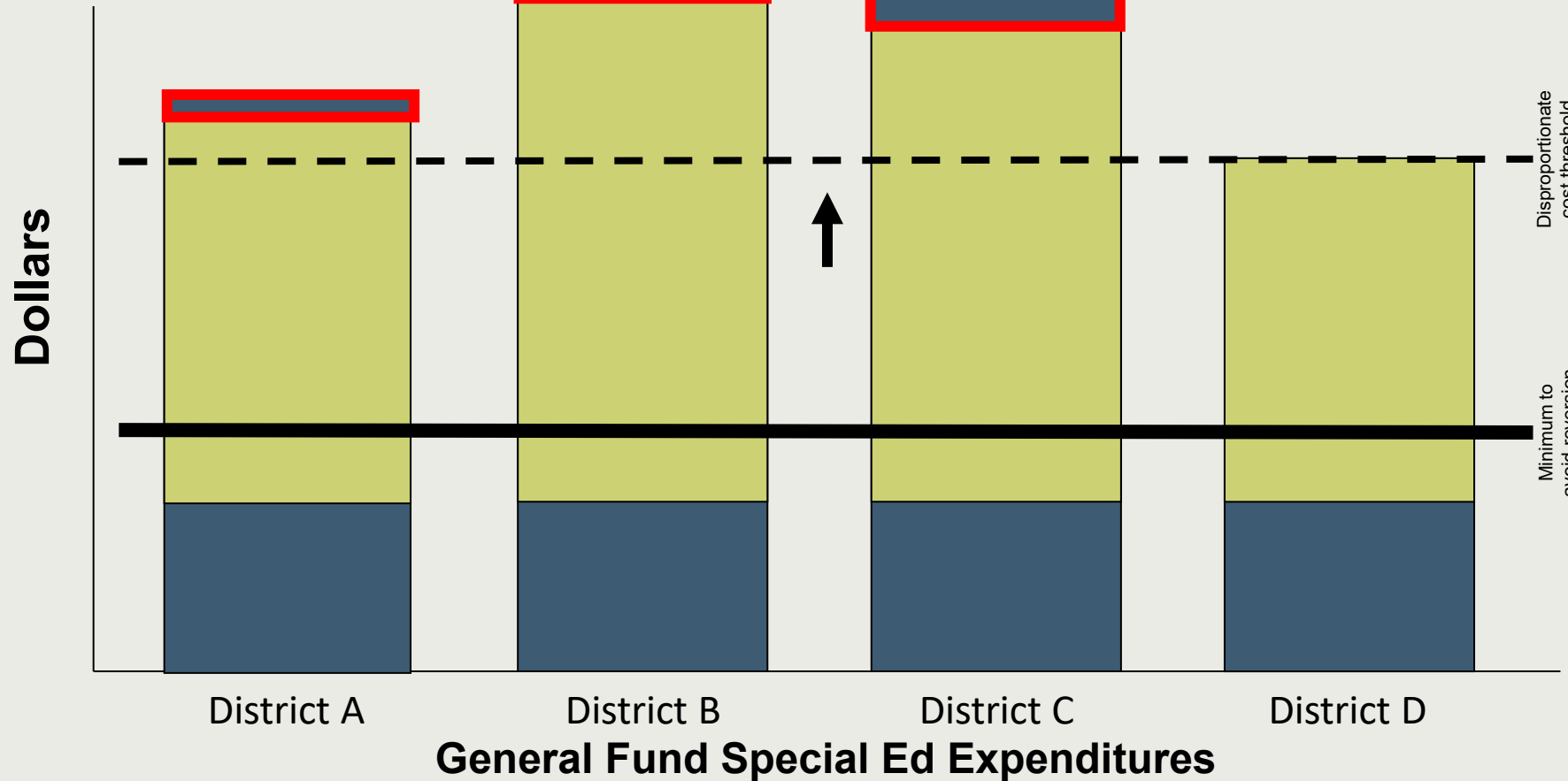


The total statewide **disproportionate cost payment** (~\$10M) is fixed at 25% of the legislative special ed allocation, which hasn't changed much over the last few decades (although the K-12 BASE Aid inflationary increases also now apply to SPED). As the **total costs** have grown, the **disproportionate cost payment** has not grown as quickly, so the **threshold** has increased accordingly.



Special Education – Disproportionate Cost Payment

*Assume all districts in this example have the same ANB



The total statewide **disproportionate cost payment** (~\$10M) is fixed at 25% of the legislative special ed allocation, which hasn't changed much over the last few decades (although the K-12 BASE Aid inflationary increases also now apply to SPED). As the **total costs** have grown, the **disproportionate cost payment** has not grown as quickly, so the **threshold** has increased accordingly.



State of the State: Special Education in Montana

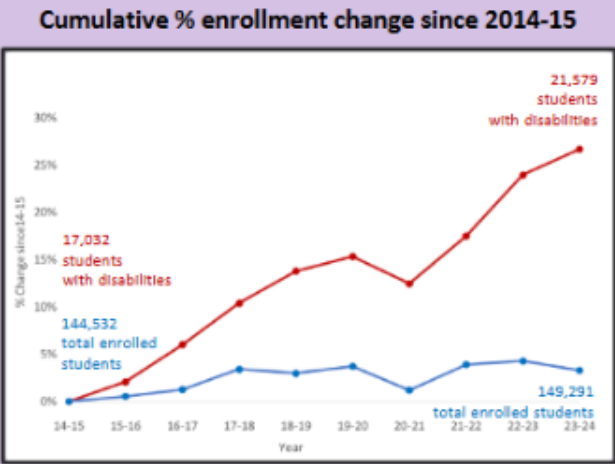
Special Education is consuming a growing share of public school budgets. It is important to ensure these investments are delivering value for students.

MT's growth in students with disabilities outpaces overall enrollment.

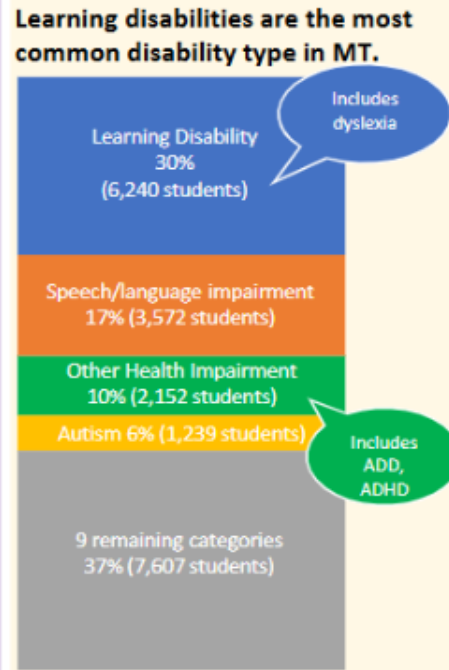
14%

This state's schools identify 14% of their students with disabilities.

This is just under the national average of 16%.



Over the last decade, MT schools identified 4,547 (27%) **more** students with disabilities, outpacing overall enrollment growth of 3%.



Sp Ed costs are mostly labor.

MT Sp Ed programs employ 1 FTE for every 6 Sp Ed students.

Of MT Sp Ed staff*:
35% are teachers
14% are specialists
50% are paras

MT Sp Ed programs rely heavily on paraprofessionals.

Academic outcomes for MT students with disabilities lag general ed students. (NAEP)

4th Grade Reading: This gap is smaller than most states, and MT Sp Ed students score above the Sp Ed average in reading.

Students without disabilities

223

Students with disabilities

183

8th Grade Math: This gap is larger than most states, and MT Sp Ed students score above the Sp Ed average in math.

Students without disabilities

285

Students with disabilities

239

Looking Ahead

- ✓ Examining trends in identification can help uncover what's driving increased referrals.
- ✓ Improving reading instruction may help reduce referrals for reading-related disabilities and benefit all kids.
- ✓ Focusing on quality over quantity of staff could better support learning while containing costs.

Montana's special education identification rate has increased over the last decade from about 11.7% to about 14.5%. This mirrors a nationwide trend, and Montana is still under the national average.

Identification rates by disability category vary. Developmental delay and autism are two categories with growth in the last decade.

Special Education Child Count by Disability Category

| | SFY2021 to SFY2025 | 20-21 | 21-22 | 22-23 | 23-24 | 24-25 |
|---------------------------------|--------------------|--------|--------|--------|--------|--------|
| Autism (AU) | | 5.67% | 5.70% | 5.80% | 6.03% | 6.48% |
| Cognitive Delay (CD) | | 2.87% | 2.69% | 2.53% | 2.44% | 2.57% |
| Deaf-Blindness (DB) | | 0.04% | 0.03% | 0.05% | 0.05% | 0.05% |
| Developmental Delay (DD) | | 6.51% | 8.14% | 9.34% | 9.30% | 9.15% |
| Deaf (DE) | | 0.06% | 0.06% | 0.07% | 0.06% | 0.06% |
| Emotional Disturbance (ED) | | 4.47% | 4.08% | 3.74% | 3.60% | 3.44% |
| Hearing Impairment (HI) | | 0.34% | 0.30% | 0.28% | 0.24% | 0.22% |
| Learning Disability (LD) | | 29.61% | 29.72% | 29.26% | 28.92% | 28.92% |
| Multiple Disabilities (MD) | | 21.03% | 21.13% | 20.80% | 20.90% | 20.72% |
| Other Health Impairment (OH) | | 11.23% | 10.66% | 10.31% | 10.06% | 10.38% |
| Orthopedic Impairment (OI) | | 0.20% | 0.19% | 0.18% | 0.15% | 0.15% |
| Speech-Language Impairment (SL) | | 17.39% | 16.81% | 17.18% | 17.82% | 17.45% |
| Traumatic Brain Injury (TB) | | 0.29% | 0.23% | 0.21% | 0.21% | 0.23% |
| Visual Impairment (VI) | | 0.29% | 0.24% | 0.26% | 0.24% | 0.19% |

<https://edunomicslab.org/special-education-spending/>
<https://archive.legmt.gov/content/Committees/Interim/2025-2026/EDIC/Sept-9-2025/2025-SPED-report.pdf>

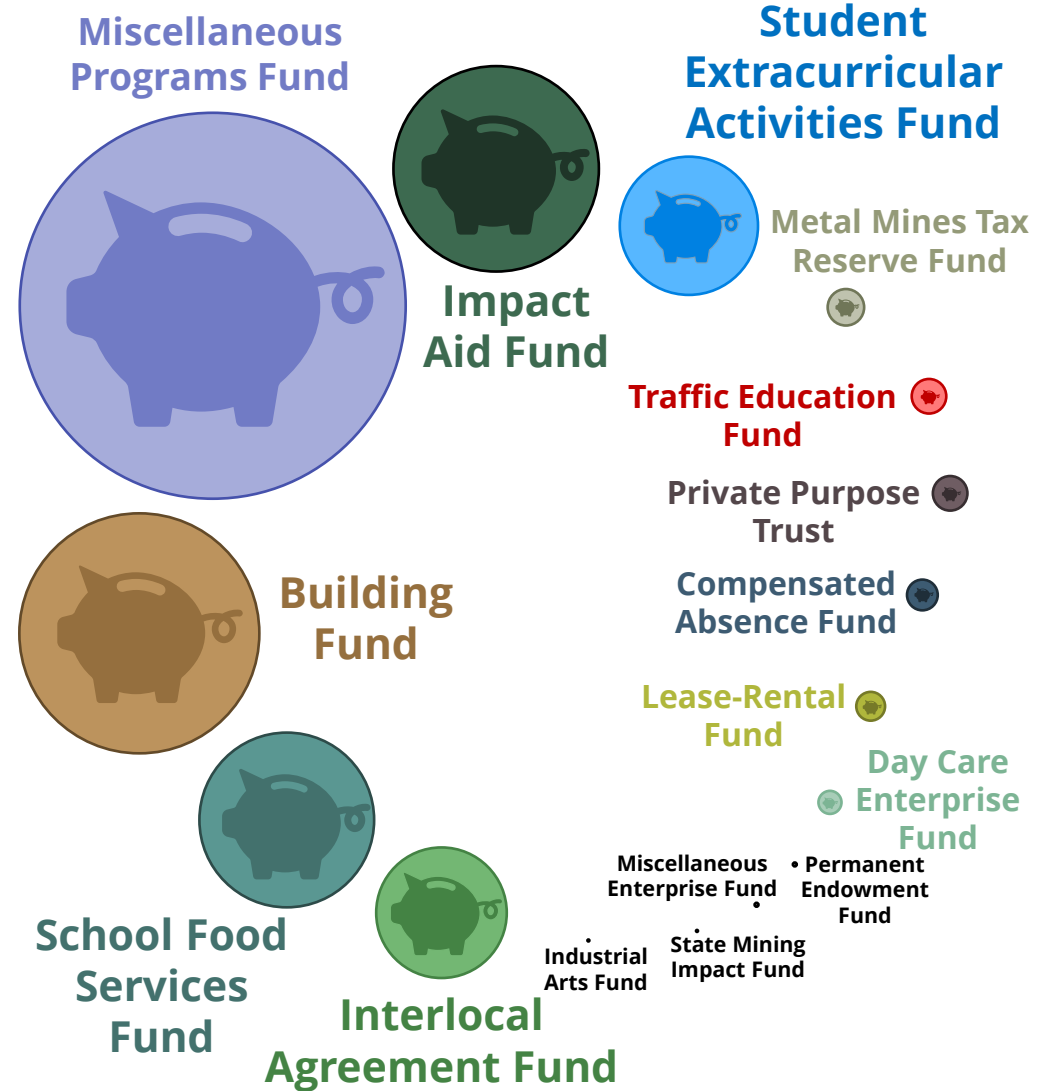
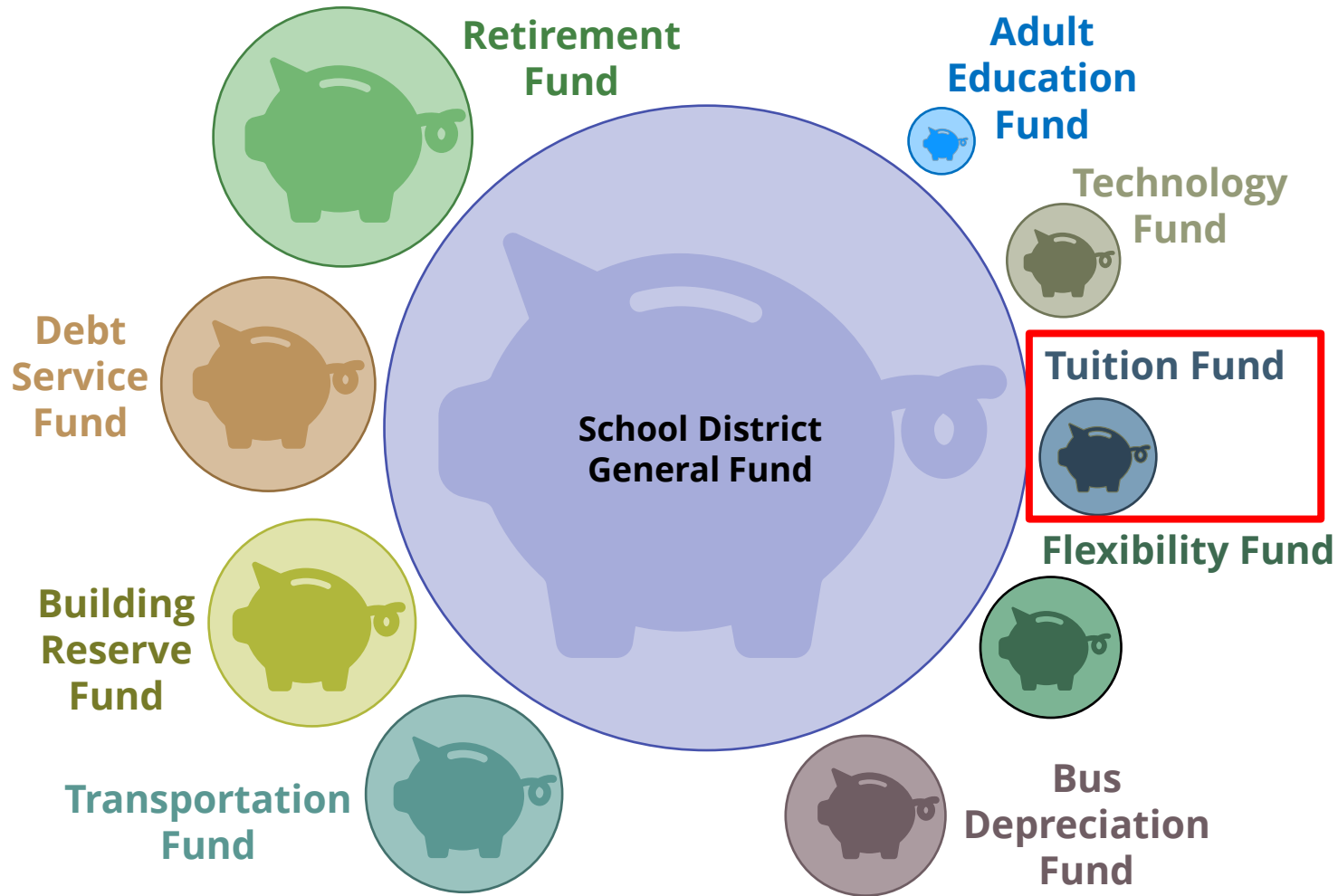
Analysis by Edunomics Lab using data from these sources: Enrollment: NCES 2014-2024. Staffing: U.S. ED, IDEA Section 618 State Part B Personnel, 2022-23. Scores: The Nation's Report Card (NAEP) 2024. Disability type: U.S. ED, IDEA Section 618 State Part B Child Count school year, 2023-24. *Sum may not add to 100 due to rounding. Questions: Edunomics@Georgetown.edu



The Tuition Fund

Budgeted Funds

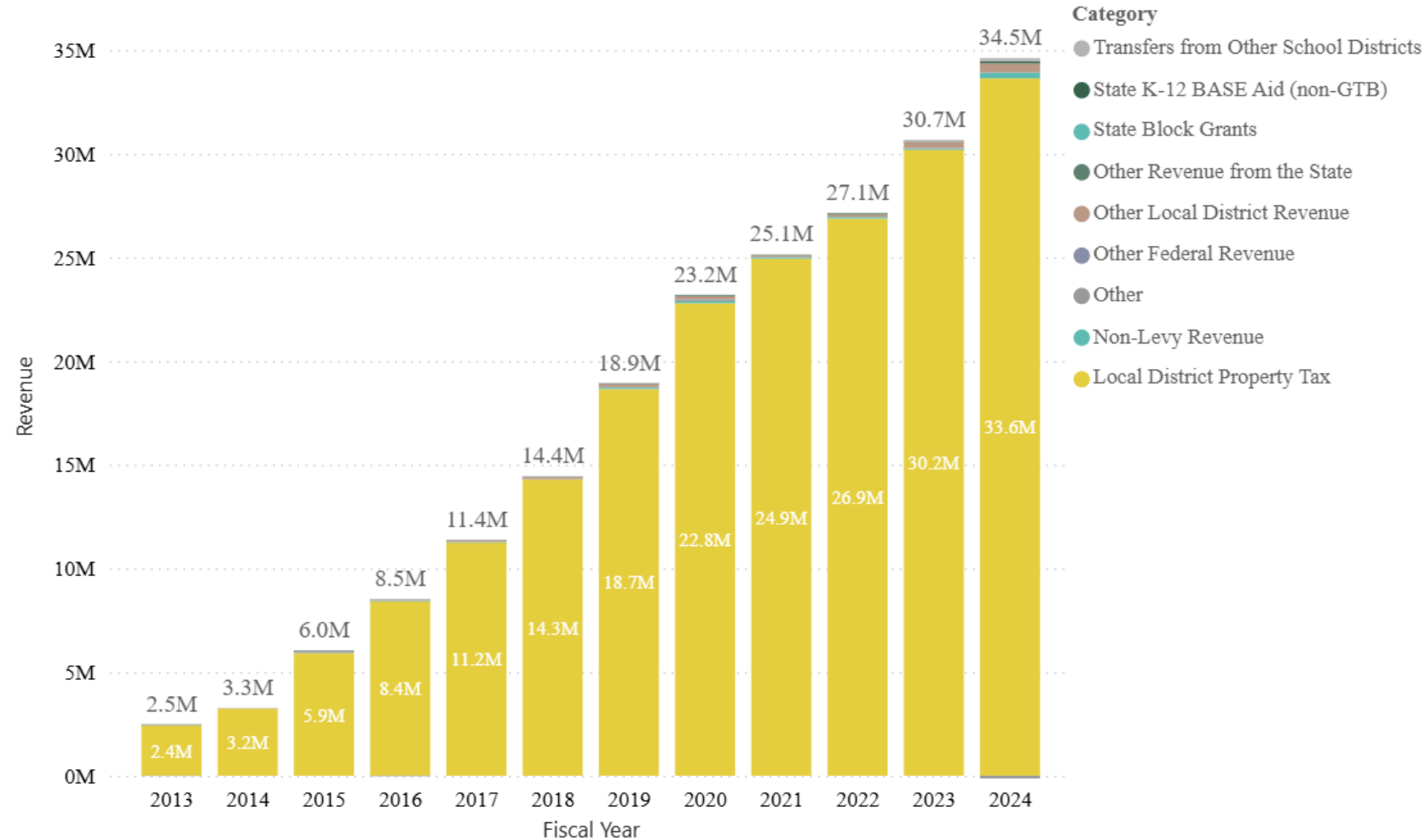
Non-Budgeted Funds



The Tuition Fund - Revenues

- [20-5-324, MCA](#)
- Funded through a permissive district property tax levy
- See the [Tuition Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

The tuition fund is used to pay tuition for a student who attends school outside the student's district of residence and for certain in-district student IEP special education costs

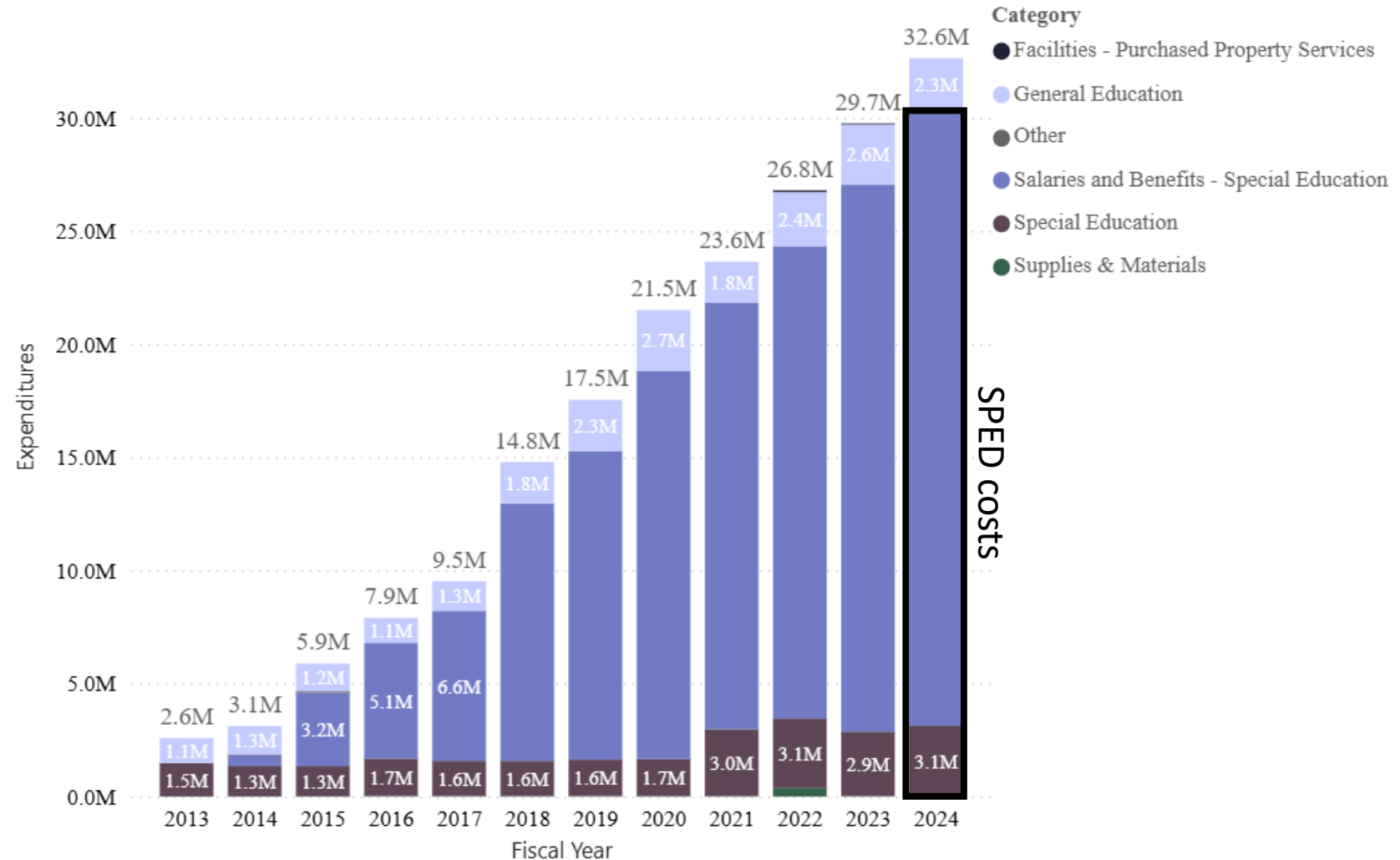


The Tuition Fund – Expenditures

- [20-5-324, MCA](#)
- The use of the tuition fund for special education costs has grown since SB 191 passed in 2013

➤ See the [Tuition Fund Brochure](#) and the [School District General Fund Interactive Tool](#) to learn more.

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House Bill No. 203 (2023; Bedey)

Significant changes to out-of-district attendance and tuition laws:

- Limited the reasons districts could refuse to accept out-of-district students
- Eliminated parents paying tuition
- Required tuition payments from district of residence to district of attendance
 - Payment amount is based on the percentage of local property taxes supporting the general fund budget (both BASE and overBASE levies) in each district, not to exceed 35.3%, multiplied by the per-ANB entitlement amount plus the per-ANB amounts of the sp ed block grants. Payment amount is the lower of the two districts' calculated amount. The FY 25 rates (paid in FY 26) range from \$0 to \$2,300 for an elementary student or \$2,900 for a middle school or high school student. See chart with payment amounts [here](#).
- Required state-level reporting of out-of-district attendance for the first time. The first [report](#) was presented to the Education Interim Committee in September and displays the high-volume of out-of-district attendance (10,754 students statewide) and that some districts export more of their resident students to neighboring districts than are educated in district.
 - Over 100 districts "export" 25% or more of their resident students and nearly 50 districts export 50% or more

| GF Budget | Lev BEI | Lev BHs | Le OB | Percent | EI Tuition | Ms/Hs |
|--------------|------------|------------|------------|---------|------------|------------|
| 96,529.58 | 36,096.60 | 0.00 | 8,000.00 | 35.30% | \$2,301.13 | \$0.00 |
| 5,912,254.10 | 585,610.75 | 0.00 | 878,832.93 | 24.77% | \$1,614.67 | \$2,052.60 |
| 3,409,232.41 | 0.00 | 432,584.40 | 672,664.44 | 32.42% | \$0.00 | \$2,686.51 |
| 110,962.16 | 35,921.36 | 0.00 | 22,542.01 | 35.30% | \$2,301.13 | \$0.00 |
| 1,048,747.86 | 45,662.32 | 51,491.56 | 203,208.48 | 28.64% | \$1,866.98 | \$2,373.34 |
| 140,436.67 | 41,559.24 | 0.00 | 19,932.27 | 35.30% | \$2,301.13 | \$0.00 |
| 101,908.96 | 30,215.22 | 0.00 | 8,614.79 | 35.30% | \$2,301.13 | \$0.00 |
| 107,647.97 | 18,024.63 | 0.00 | 22,963.22 | 35.30% | \$2,301.13 | \$0.00 |
| 168,046.02 | 19,156.18 | 0.00 | 17,968.91 | 22.09% | \$1,440.14 | \$0.00 |
| 93,534.63 | 23,753.58 | 0.00 | 0.00 | 25.40% | \$1,655.47 | \$0.00 |
| 677,523.50 | 33,173.49 | 0.00 | 0.00 | 4.90% | \$319.18 | \$405.75 |



Out of District Attendance §20-5-324, MCA FY2025

8/29/2025

20-5-324. Tuition payment provisions reporting.

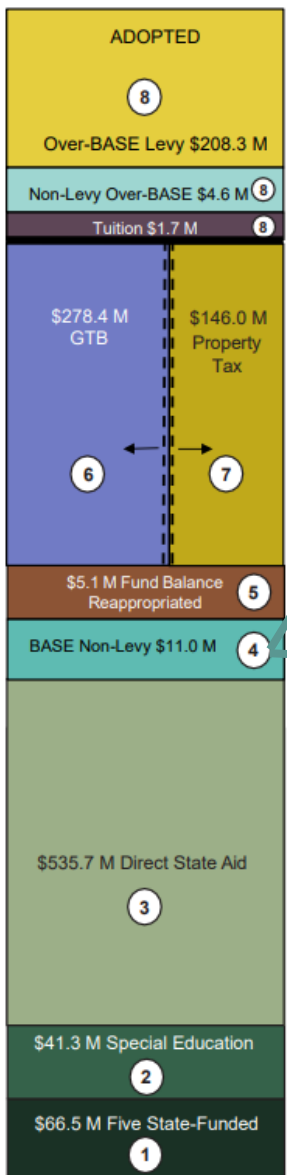
(8) In accordance with 5-11-210, the superintendent of public instruction shall report annually to the education interim committee on out-of-district attendance under 20-5-320 through 20-5-324 in the prior school fiscal year. The report must include the following for each school district:

- the total enrollment of the district;
- the number of nonresident students served by the district under out-of-district attendance agreements; and
- the number of resident students served by other school districts under out-of-district attendance agreements.

| CO | Co Name | LE | LE Name | 148,127 | 10,754 | 10,754 |
|----|------------|------|-----------------------|---------|--------|--------|
| | | | | (a) | (b) | (c) |
| 01 | Beaverhead | 0003 | Grant Elem | 7 | 0 | 2 |
| 01 | Beaverhead | 0005 | Dillon Elem | 756 | 24 | 7 |
| 01 | Beaverhead | 0006 | Beaverhead County H S | 341 | 8 | 5 |
| 01 | Beaverhead | 0007 | Wise River Elem | 7 | 2 | 3 |
| 01 | Beaverhead | 0009 | Lima K-12 Schools | 39 | 3 | 2 |
| 01 | Beaverhead | 0010 | Wisdom Elem | 10 | 1 | 1 |
| 01 | Beaverhead | 0012 | Polaris Elem | 8 | 0 | 5 |
| 01 | Beaverhead | 0014 | Jackson Elem | 2 | 0 | 1 |
| 01 | Beaverhead | 0015 | Reichle Elem | 15 | 6 | 9 |

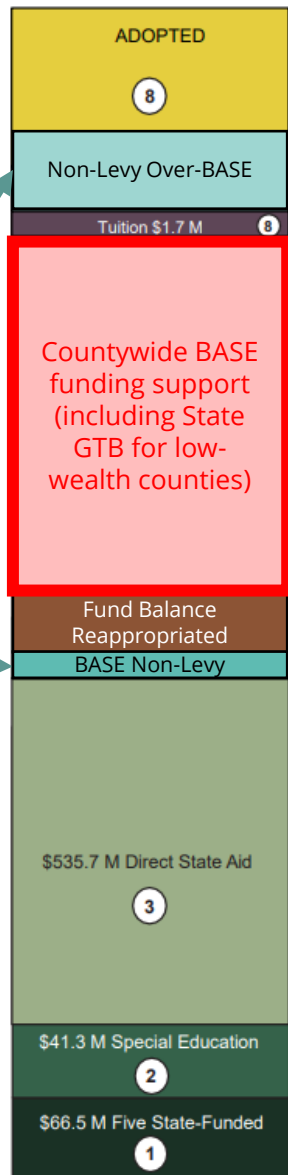
Current Law

About 96% of Max Budget



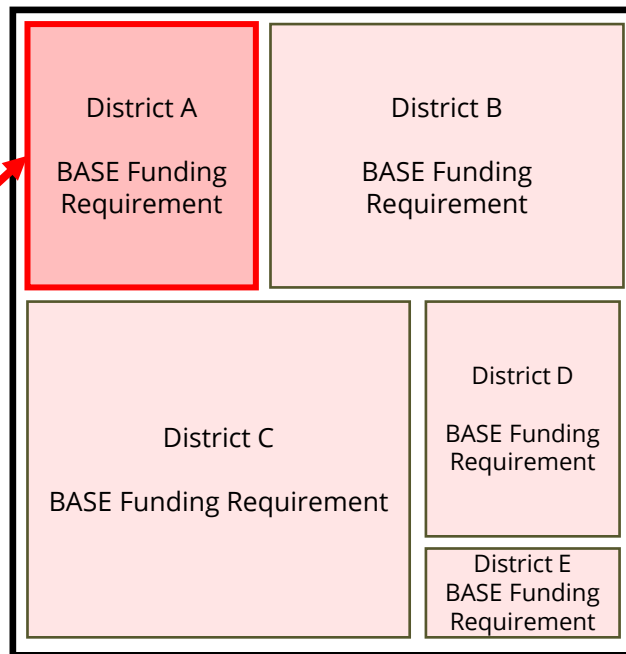
HB 156

About 96% of Max Budget



Some of the non-levy revenue in the BASE area remains there, while some of it can now be devoted to the over-BASE area

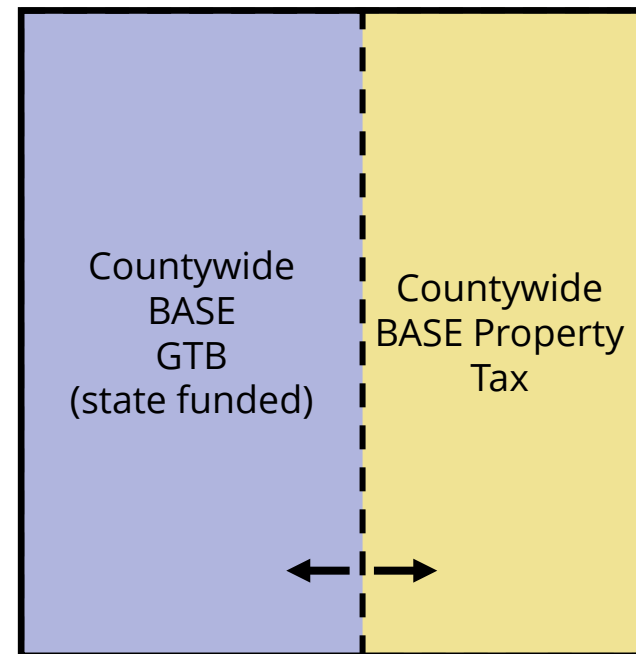
HB 156 takes effect in FY 2027



The funding needs for all districts in a county are pooled in the same manner that school retirement costs are pooled now.

TUITION IMPACT: Because district BASE levies are eliminated, tuition payments will be based on the % of over-BASE taxes only. This will reduce tuition payments significantly but not eliminate them. About 350 districts have over-BASE levies (over \$200 M statewide).

Then, in low-wealth counties, state GTB lowers property taxes to equalize.

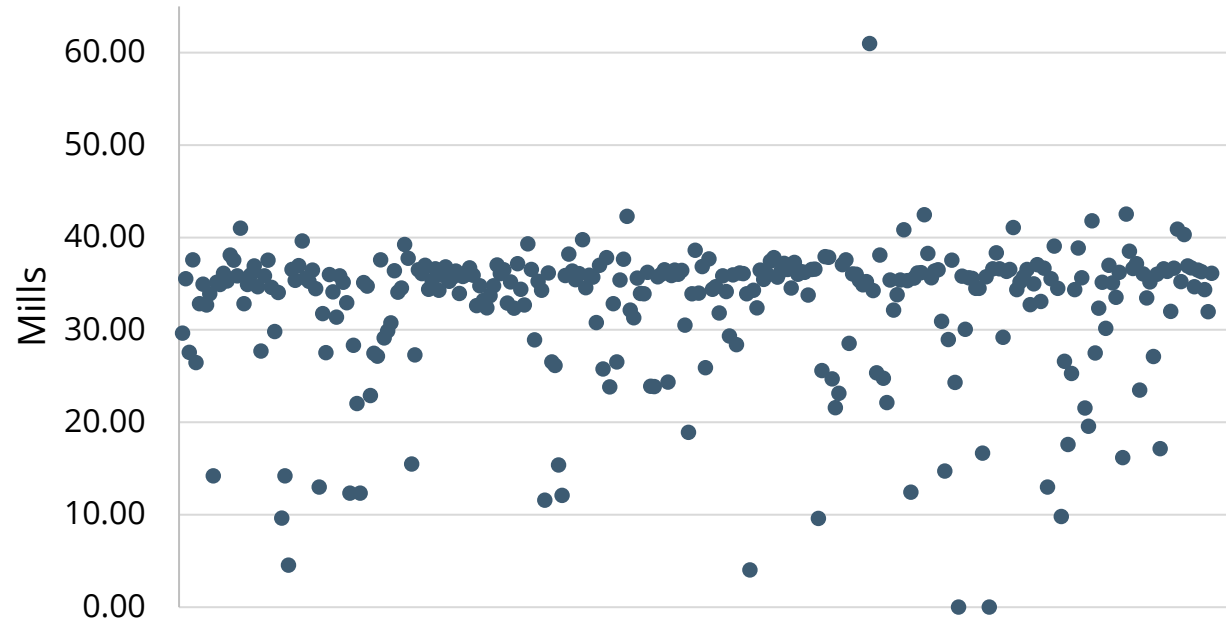


HB 156; 2025 Session

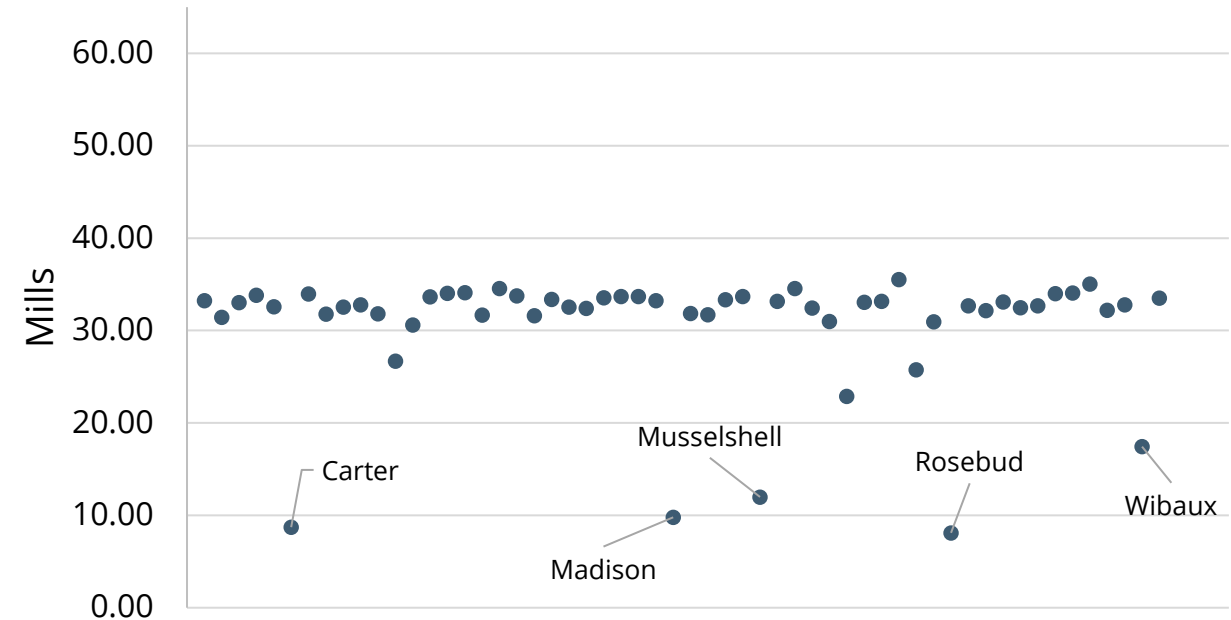
Despite enhanced equalization of BASE mills in recent years (through increases in state BASE GTB aid) there is still some variation between districts and sometimes between districts in the same county. BASE mills generally range from 0-60 mills

Equalizing BASE mills countywide will result in identical BASE levies among school districts within counties and improve equalization. Countywide BASE mills are estimated to range from 9-37 mills

BASE Mills - Current Law



County Level BASE Mills





School Funding Resources:

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

Property Tax Resources:

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

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Questions?

