

20-9-309 “Crosswalk”

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Background

The creation of a definition for the “basic system of free quality elementary and public schools” was spurred by court decisions in *Columbia Falls Elementary V. State*. The case was fundamentally a question of the *constitutional adequacy* of the school funding formula at that time. Judge Jeffrey Sherlock delivered the district court decision in April 2004, finding that the funding formula was not constitutional. The state appealed and the Montana Supreme Court ultimately upheld the district court decision just in front of the 2005 Legislative Session. This made for a lively session, post-session, and ultimately a special session in December 2005 related to school funding.

A major criticism of the court was the lack of a foundational definition of what constitutes a basic system of free quality elementary and public schools. The 2005 Legislature addressed this criticism by enacting [Senate Bill No. 152](#) which was ultimately codified as 20-9-309, MCA. This section of law has only been amended once, in 2015, to clarify the requirement for a 10-year “decennial study” of school funding.

The table below and on the following pages lists each definitional element from 20-9-309(2) and then describes associated state funding mechanisms.

Definitional element in 20-9-309	Funding mechanism(s) – note that funding mechanisms within the main district general fund formula are in bold	State Funding FY 26 based on HB 2 appropriations – note that funding mechanisms within the main district general fund formula are in bold	Notes/Other Funding
(2)(a) educational program specified in the accreditation standards	<p>No explicit funding mechanism, but much of the existing district general fund formula can be seen as supporting this (for example, direct state aid or DSA for 44.7 % of the basic and per-ANB entitlements, BASE GTB Aid).</p> <p>Career and technical education (CTE) is part of the required educational program. CTE is funded outside the funding formula through several state programs (the vo-ed payment, advanced opportunities, CTSO support, adv ag ed).</p>	<p>DSA \$489M</p> <p>BASE GTB \$278M</p> <p>State CTE \$1.5M</p> <p>Adv Opps \$4M</p> <p>CTSO support \$900K</p> <p>Adv Ag Ed \$150K</p>	<p>Federal and local funding listed should not be viewed as a comprehensive list and dollars reflect reported FY 24 revenue</p> <p>Local funding for this element comes from the BASE (\$160 M) and OverBASE levies (\$200 M)</p> <p>Federal Impact Aid could be seen as supporting this element or any of the other elements.</p> <p>Federal Perkins grants ≈ \$3.5M</p>

	<p>The Quality Educator Loan Assistance Program</p> <p>The state provides guaranteed tax base aid to support lower-wealth counties in raising revenue to support school district employer contributions to the retirement systems TRS and PERS. (Separate formula)</p> <p>National Board Certification stipends</p> <p>State payments to TRS and PERS to support actuarial soundness</p>	<p>\$666,000</p> <p>\$96.4M</p> <p>\$200,000</p> <p>\$37.5M to PERS</p> <p>\$50.2M to TRS</p>	<p>County retirement GTB has increased in recent years through legislative action (HB 587, 2023). County tax levies to support school RET were about \$115M in FY 2024.</p>
(2)(e) facilities and distance learning technologies	<p>The state provides a GTB-like subsidy for districts with lower property tax wealth through Debt Service Assistance. This lowers property taxes levies to repay construction bonds.</p> <p>The state provides additional state funding for districts utilizing a permissive building reserve levy through Major Maintenance Aid. Districts with lower property tax wealth receive more generous assistance.</p> <p>The state provides a \$1 million technology payment that is distributed to districts.</p> <p>The state supports the Montana Digital Academy (MTDA) to provide all districts with access to online learning.</p> <p>For the 2027 biennium MTDA received funding for the Frontier Learning Lab to support best practices in education utilizing artificial intelligence and virtual reality technologies.</p>	<p>\$16.0M</p> <p>\$22.9M</p> <p>\$1.0M</p> <p>\$3.0M</p> <p>\$1.0M</p>	<p>Funding levels for Debt Service Assistance and Major Maintenance Aid have increased in recent years due to LEG action to increase and stabilize revenue flows (HB 515, 2025) Local tax levies for debt service were about \$126M in FY 24.</p> <p>Local tax levies for the building reserve fund (includes permissive major maintenance, voted building reserve, and voted safety levies) were about \$30M in FY 24.</p> <p>Local tax levies for technology were about \$16M in FY 24</p>

(2)(f) student transportation	<p>“On-schedule” formulaic reimbursements are based on the size of school bus and miles driven for home to school transportation only, not for extracurriculars. The state and counties split these on-schedule reimbursements 75-25 (was 50-50 prior to FY 26). Districts are allowed a permissive levy for any additional costs above these “on-schedule” reimbursements and for a bus depreciation reserve fund and levy to gather money to replace buses.</p>	\$27.6M	<p>On-schedule reimbursement rates were increased for the first time since 2004 via HB 483 (2025). The county share of on-schedule reimbursements will be decreasing from roughly \$11M/year to about \$9M.</p> <p>Local school district levy revenue supporting “over-schedule” transportation costs and bus depreciation was about \$85 million in FY 24. Bus Depreciation levies totaled \$16 million in FY 24.</p>
(2)(g) assessment and tracking achievement	<p>The Date for Achievement (D4A) payment within the district general fund formula. In FY 2026, the D4A payment is \$24.29 per ANB.</p> <p>Up until FY 2026, statewide assessments were funded through federal grants. In FY 2026, state funding is being used for the ACT.</p>	<p>\$3.7M</p> <p>\$640,000</p>	
		Total BASE Aid (main funding formula components + RET GTB) ≈ \$1,030M	