



coalition of advocates

FOR MONTANA'S PUBLIC SCHOOLS

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TO: School Funding Interim Commission Members
FROM: The Undersigned Executive Directors of the Organizations
Partnering in the Coalition of Advocates for Montana's Public Schools
RE: Follow-Up Proposal: A Bold Step Toward Transforming Montana's School
Funding System
DATE: September 8, 2025

Dear Members of the School Finance Interim Commission,

Montana's public schools are at a critical juncture. As highlighted in our previous memorandum, the current funding formula falls short of addressing the diverse needs of our districts, leaving many students underserved and schools trapped in a cycle of scarcity and budget cuts. This proposal outlines a detailed and actionable plan to address these challenges, ensuring every Montana student has access to quality education while alleviating the burden of property taxes statewide.

Building on the principles of equity and adequacy, this plan introduces a revised funding structure, a sustainable revenue source, and adjustments to outdated mechanisms. By simplifying the funding formula, generating consistent revenue, and empowering districts with discretionary funding, we can stabilize school funding, address poverty-related challenges, and enable districts to deliver excellence for all students.

Replacing an Outdated Model with a New Funding Structure for Montana's Schools

Montana's public schools have long operated under a general fund budget framework that has seen little significant alteration in over three decades. While the underlying formula has undergone valuable refinements, particularly in the past 15 years, the essential structure—a rigid 80% BASE minimum and a 100% maximum—has remained largely intact, proving increasingly outdated. Originally designed to elevate underfunded districts and temper over-expenditures in wealthier areas, these constraints were predicated on the flawed assumption that per-pupil spending was the singular indicator of both adequacy and equity in education. As this memo will demonstrate, this assumption is no longer tenable.

The BASE has fostered a misleading depiction of the financial parameters necessary for delivering a quality educational experience. In fact, recent trends reveal that over two-thirds of Montana's students attend districts spending 97% of the maximum or more, while a mere 5% of the state's student population is educated in districts operating at the BASE level. Moreover, when one considers districts at the BASE that are supplemented by

federal impact aid to fulfill their funding needs, the percentage of students in such districts diminishes to just 2.5%.

It has become increasingly apparent that the BASE does not correlate with educational quality; rather, the existing maximum budget constraints are hindering the provision of an excellent education. Many rural districts find themselves stymied above the maximum, grappling with declining student enrollment due to demographic shifts, all while struggling to maintain funding levels from previous years.

Our proposal seeks to eliminate both the BASE and the maximum altogether, advocating instead for a single guaranteed funding level that accurately reflects the resources necessary for ensuring quality education—one that is not dependent on the contingency of voter approval of burdensome levies by property taxpayers, who are understandably weary. By establishing funding for each district that enables them to fulfill their role in providing a system of high-quality, free schools, we can ensure that every school district is equipped to genuinely pursue the goal of unlocking each individual's full potential in an environment that guarantees equal educational opportunity.

At the core of our proposal is a unified “Quality Assurance” (QA) funding amount, under which each school district would receive full funding for quality education. This would be complemented by a “Discretionary Funding Enhancement” (DFE) of 10%, subject to voter approval, to foster innovation and excellence beyond the established QA amount. This approach will uphold local control and maintain flexibility, ensuring that the educational needs of all Montana students are met with the utmost regard for quality and equity.

The Details of Our Proposal

Our revised funding formula reflects the realities of Montana’s educational landscape, balancing resources to meet the needs of both rural and urban districts. The key components used to fund each district at the Quality Assurance line are as follows:

1. Revised ANB (Average Number Belonging) – Fair Per-Pupil Funding (52% of Total)

We propose a flat per-pupil funding rate with no decrement applied:

- \$5,000 per student grades P-5
- \$6,300 per student grades 6-12

2. FUND Assistance – Addressing Unique Needs (12% of Total)

To better serve students facing challenges, we recommend consolidating and enhancing multiple at-risk and related funding streams into a single block grant called the **Funding for Unique Needs and Development (FUND) Payment**, derived from:

- 3X the current American Indian Achievement Gap.
- 2X the current Indian Education for All (minimum \$5,000).
- 15X the current At-Risk Payment.
- 2X the current State Special Education funding.

3. Enhanced QEP (Quality Education Payment) – Investing in Educators (24% of Total)

Educators are the backbone of our schools. This payment structure incentivizes compliance with STARS (Standards for Teachers and Resources for Students):

- \$30,000 if STARS compliant.
- \$15,000 if not compliant.
- STARS Incentive at 3X QEP (\$45,000 Base Teacher Salary).

4. Revised Basic Entitlement – Supporting Learning Environments (12.5% of Total)

We propose eliminating arbitrary thresholds in the current law and ensuring full funding for all entitlements:

- \$100,000 for every group of 100 elementary students.
- \$150,000 for every group of 200 middle school students.
- \$400,000 for every group of 400 high school students. This approach aligns funding with actual student group sizes and operational needs, enabling schools to create effective learning environments.

Discretionary Funding Enhancement (DFE) – Driving Innovation and Transformation

The **Discretionary Funding Enhancement (DFE)**, capped at 10% beyond the Quality Assurance (QA) line, empowers districts to:

- Pilot cutting-edge educational programs.
- Invest in supplemental technology and infrastructure for transformational learning.
- Conduct research and development to address unique challenges and opportunities.
- Develop innovative teaching and learning approaches that can serve as models for other districts.

This mechanism ensures that the QA line covers all operational necessities, while the DFE fosters creativity, growth, and excellence in education, subject to voter approval.

Fund Schools Adequately: Total Funding for the QA is anticipated to be \$204.5 million higher than FY28 Projected Maximum Budgets under current law (\$1.687 overall funding). This approach balances the need for sustainable school funding with significant property tax relief, benefiting all Montana residents.

Exploring Alternative Revenue Sources for Montana's Public Schools

It is imperative for the Legislature to explore and establish alternative tax revenue sources that alleviate the financial burden currently placed on residential property taxpayers in Montana. The responsibility to implement comprehensive tax reform lies within the legislative body, which has the authority to appropriate funds and make significant changes to the state's tax structure.

Recent legislative sessions have successfully passed transformative tax policies, including notable reductions in income tax rates—specifically lowering the top rate from 6.9% to 4.9% between 2021 and 2025. Additionally, the Legislature has enacted reforms that

significantly reduce property tax rates for primary residences and long-term rentals. These actions demonstrate that the Montana Legislature has both the authority and the capability to create sustainable solutions to the funding challenges facing our public schools.

The pivotal question the State must address is whether the objectives of adequately funding education and ensuring fairness in tax revenues can coexist harmoniously. We firmly believe that with proactive planning and strategic initiatives, these goals can not only align but also support one another, fostering a more equitable and stable funding environment for Montana's public schools. It is time for a collaborative approach to ensure that both our educational institutions and taxpayers thrive.

Preserving and Enhancing Strategic Programs Fostering Quality

In addition to the proposed reforms, we strongly advocate for the continuation and enhancement of existing programs that incentivize innovation and strategic alignment in public schools. These programs, akin to research and development initiatives in private business, provide valuable opportunities to test and refine promising educational strategies. Key programs include:

1. Charter Schools under HB 549 (2023 – Anderson).
2. Advanced Opportunities under HB 387 (2019 – Jones) and HB 252 (2025 – Jones).
3. Future Ready Payment under HB 252 (2025 – Jones).
4. Shared Resource Incentive under HB 252 (2025 – Jones).
5. Targeted Interventions for literacy and numeracy under HB 352 (Barker) and HB 338 (2025 – Romano).
6. Transformational Learning Grants, Phase 2 under HB 573 (2025 – Bedey).
7. Countywide Resource Sharing Incentive under HB 567 (2025 – Barker).
8. Work-Based Learning under HB 246 (2023 – Bertoglio).
9. Other personalized learning initiatives authorized under § 20-7-1601.

These programs represent strategic investments by the State in Montana's educational future, fostering innovation and addressing the unique needs of students across the state.

Why This Plan Works

This proposal is more than a funding formula—it is a commitment to Montana's values of equity, excellence, and opportunity for all. By shifting from a one-size-fits-all model to a balanced formula that prioritizes quality, we can ensure that the formula:

- **Supports Rural Schools:** Provide stable funding for small districts with high fixed costs and teacher shortages.
- **Empowers Urban Schools:** Prevent overcrowding and ensure adequate resources for underserved communities.
- **Promotes Equity:** Address achievement gaps and ensure all students, including those with disabilities and those in poverty, receive the support they need to succeed.

- **Drives Innovation:** Enable districts to pursue transformational projects that elevate education statewide.

Investing in our schools today is an investment in Montana's future. Let's work together to make this vision a reality.

Sincerely,



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