

# MARA MODULE: School Funding

MARA Committee  
October 10, 2024



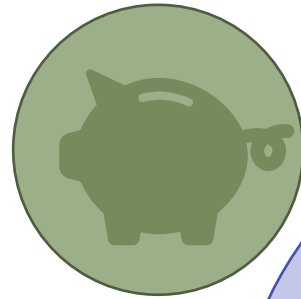
# Why Forecast School Budgets?

- Constitutional obligation for the state to fund K-12 education: [Montana Constitution \(Article X, Part X, Section 1\)](#)
- At the state level, schools have the largest HB 2 appropriation of state funds
  - Split between the state general fund and property tax revenue from the 95 mills
- At the local level, a large portion of property tax revenue goes to schools

# School District Budgeted Funds – Relative Size

## Retirement Fund

For employer (district) contributions to the retirement systems



## Debt Service Fund

Used to pay off debt incurred from issuing bonds, typically for major construction



## Transportation Fund

Used for to-and-from school transportation costs



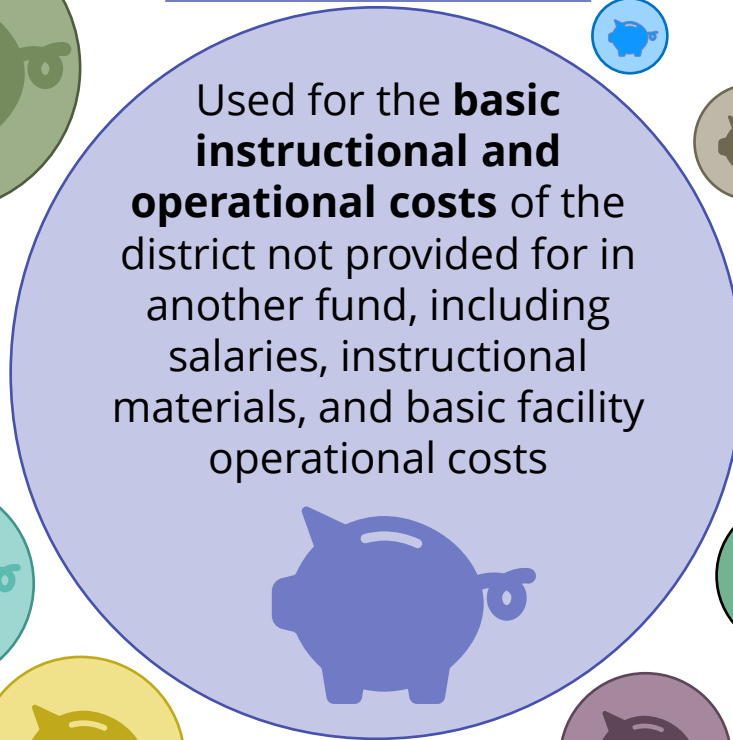
## Building Reserve Fund

Used for school major maintenance projects and safety improvements



## School District General Fund

Used for the basic instructional and operational costs of the district not provided for in another fund, including salaries, instructional materials, and basic facility operational costs



## Adult Education Fund

For education of 16+ year olds who are not regularly enrolled students



## Tuition Fund

Used to pay tuition for students attending school outside their district of residence



## Technology Fund

Used for the purchase & maintenance of technology equipment



## Flexibility Fund

Has a variety of uses (ex: student assessment, curriculum development)



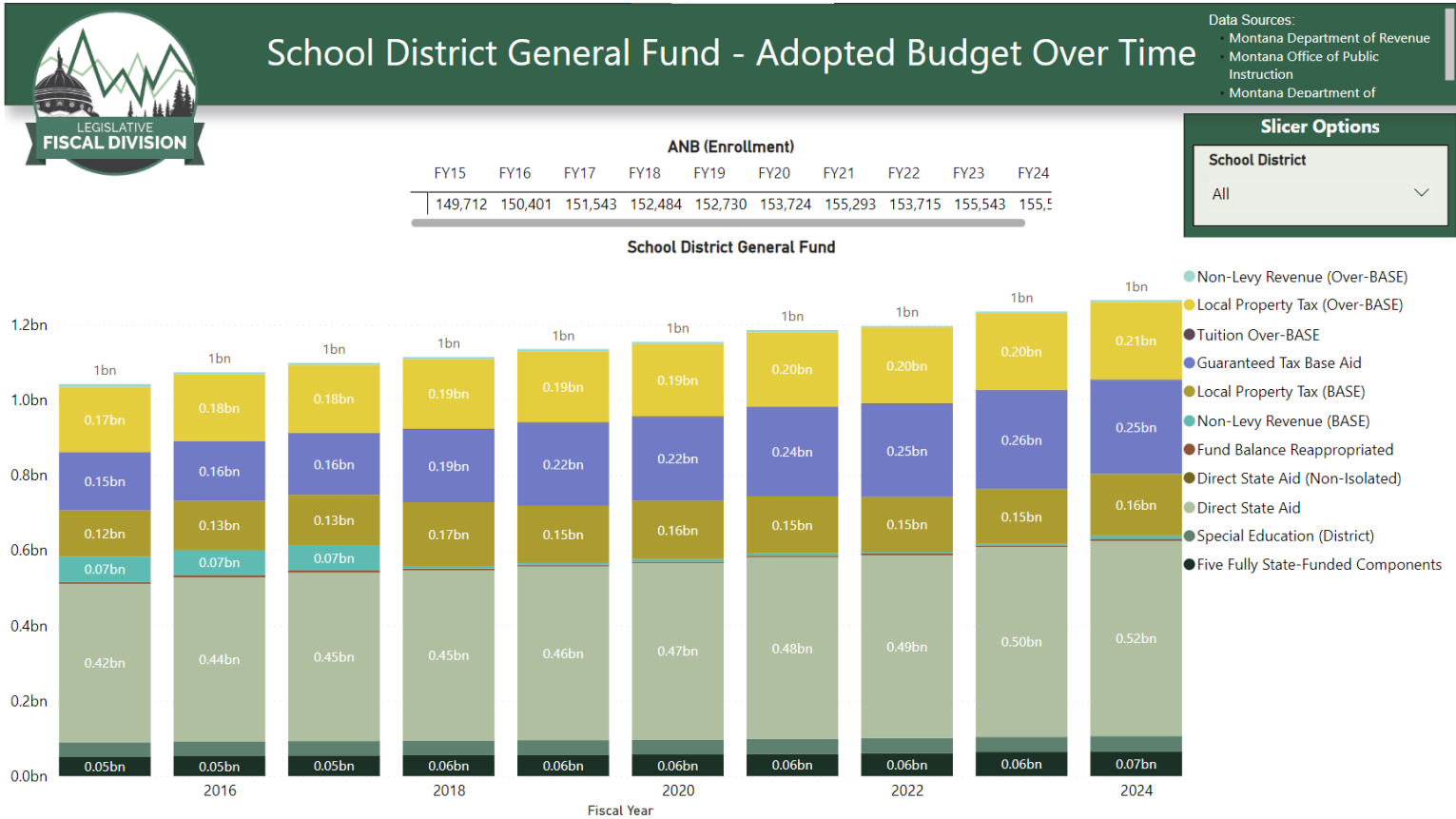
## Bus Depreciation Fund

Used to accumulate funds for bus replacement & new buses



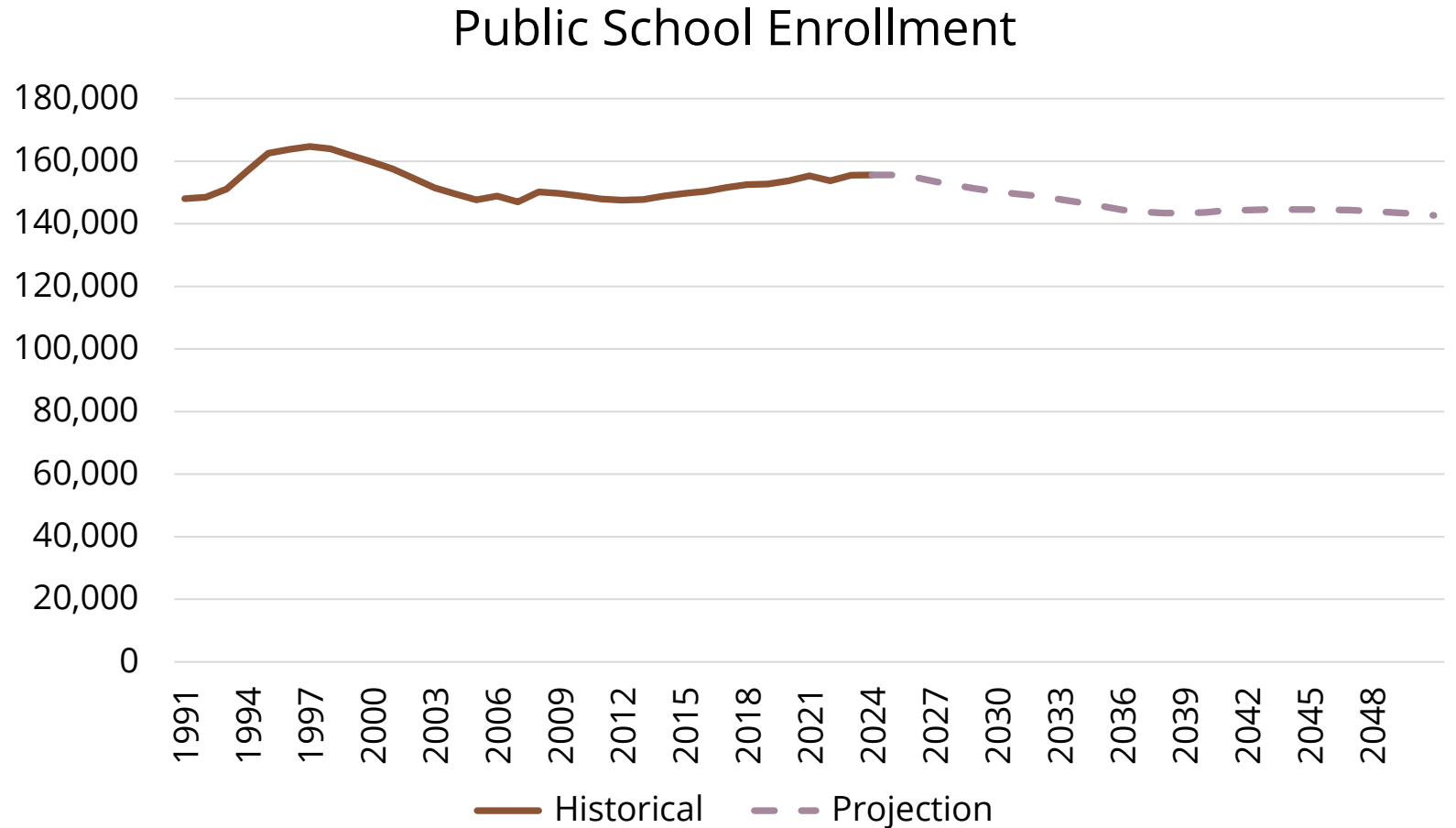
# Historical Data

Historical trends for the budgeted school funds (and a few selected non-budgeted funds) can be explored in the [School Funding Interactive Tool](#)



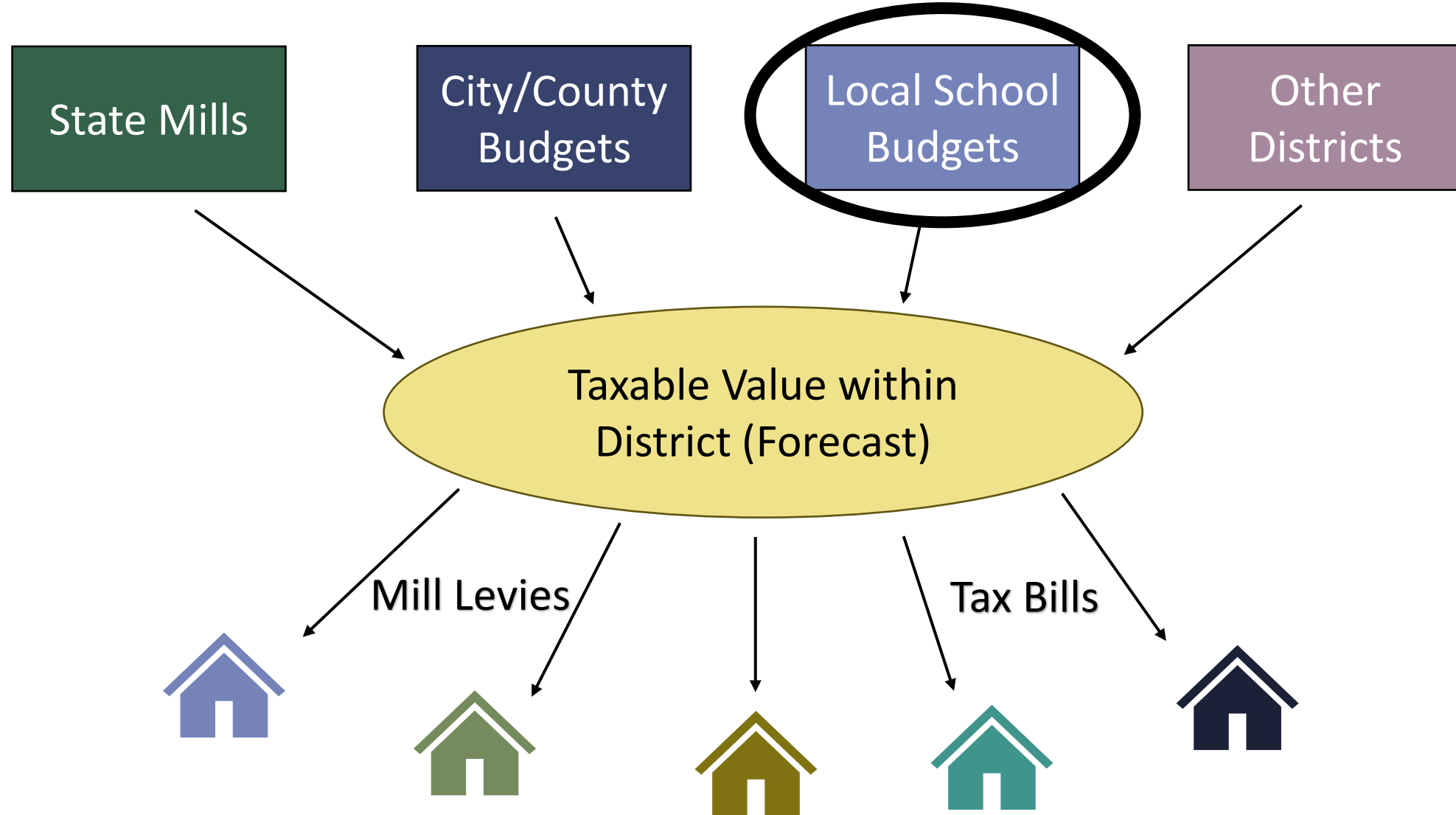
# Enrollment Trends

Based on eREMI population data for 5-18 year olds, the number of school age children in Montana will decline slightly and then level off.

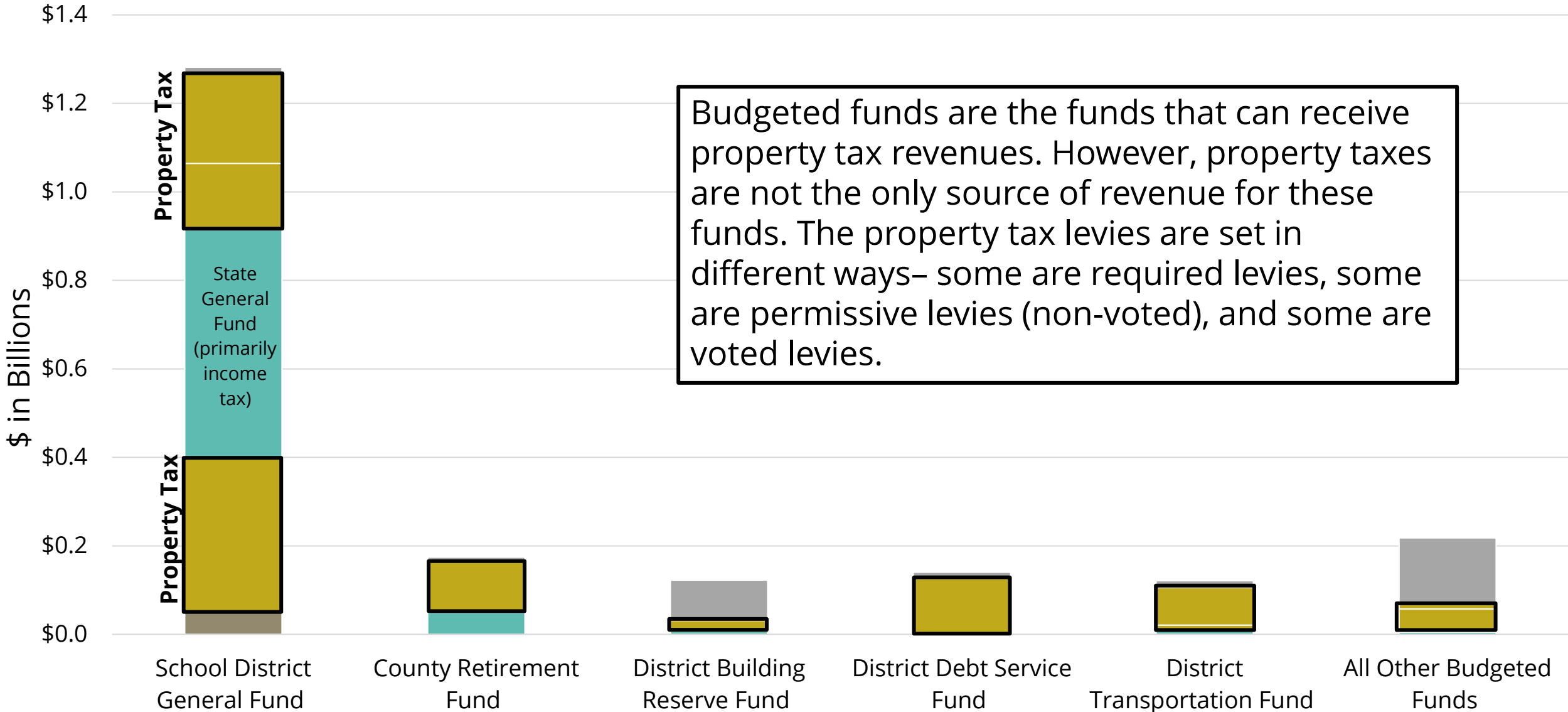


# Property Tax Connection

# How Budget Forecasts Connect to Property Taxes



# Budgeted School District Funds





# Forecast Methodology

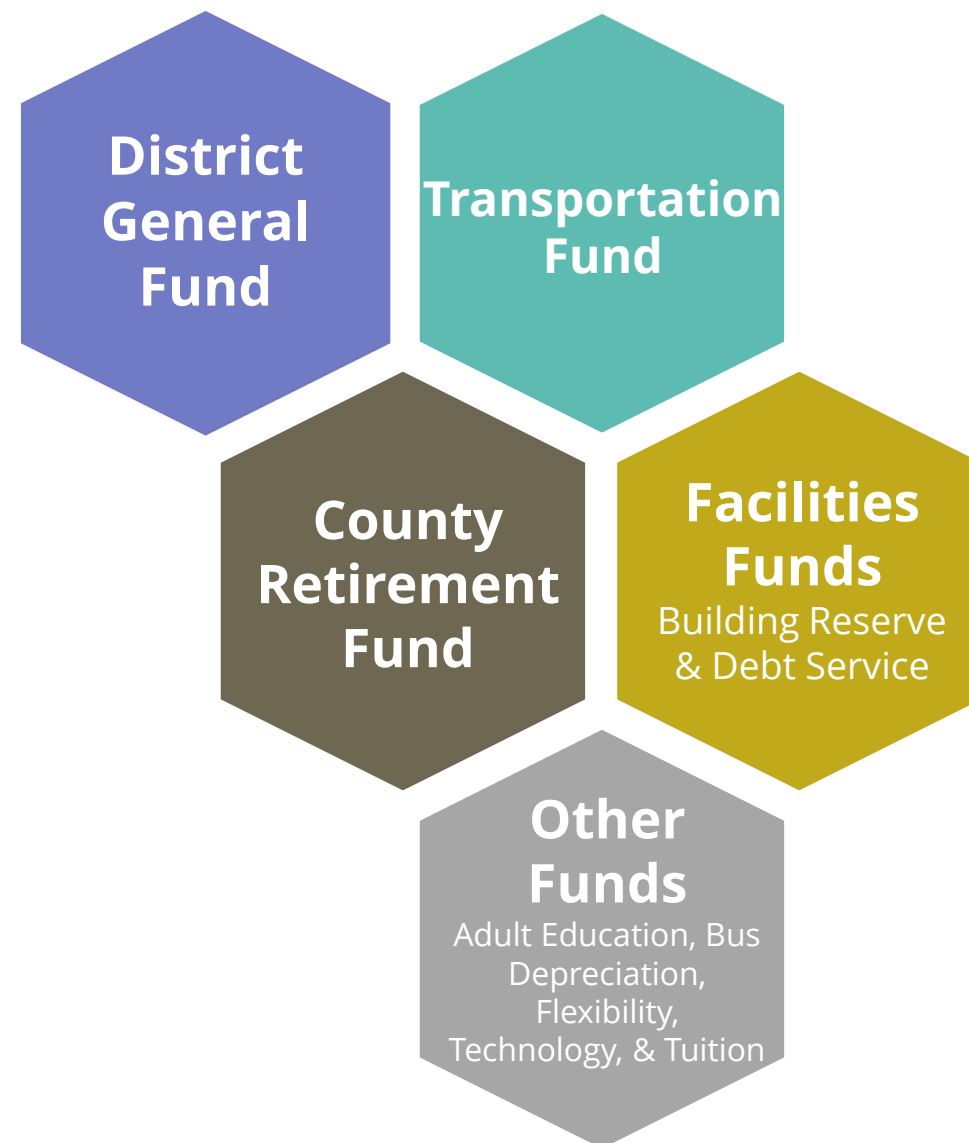
# Forecast Methodology

- Based on observations and trends from prior years (1991 – 2024)
  - Data Sources: Office of Public Instruction (OPI) Budget Data, Department of Commerce Montana Population Projection dashboard (State and County population projection data from eREMI)
  - Recent policy changes that took effect in FY 2025 (e.g. portions of HB 587, 2023 Legislative Session) are approximated in this model, but the actual FY 2025 data is not yet available
- Projected individually for approximately 400 school districts
  - Rolled up at the county-level\*

\*Our forecasts are projected at the school district level in order to integrate properly with the property tax model, which calculates taxes paid by individual levy district. However, for presentation purposes, these forecasts are rolled up at the county level. Due to the various intricacies within each school district, we anticipate publishing updated dashboards following the 2025 Session

# Forecast Methodology

- Budgeted funds only – 5 categories
- Two projections for each school district and fund category
  - Total budget for the fund – without fund balance reappropriated
  - Property tax component – for the MARA property tax module



# Forecast Methodology

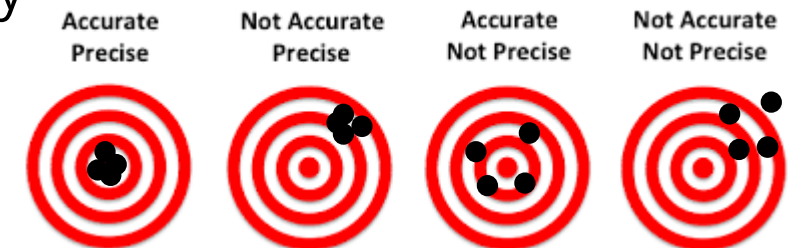
- What is a time series?

- A sequence of values taken at successive, equally-spaced points in time



Forecast uses an autoregressive integrated moving average (ARIMA) model – Predicts the likely outcome of a time series, given knowledge of the most recent outcomes

- More recent observations are weighted more heavily
- Implicitly accounts for inflationary factors
- Can't intrinsically adjust for policy changes
- Must satisfy certain statistical assumptions

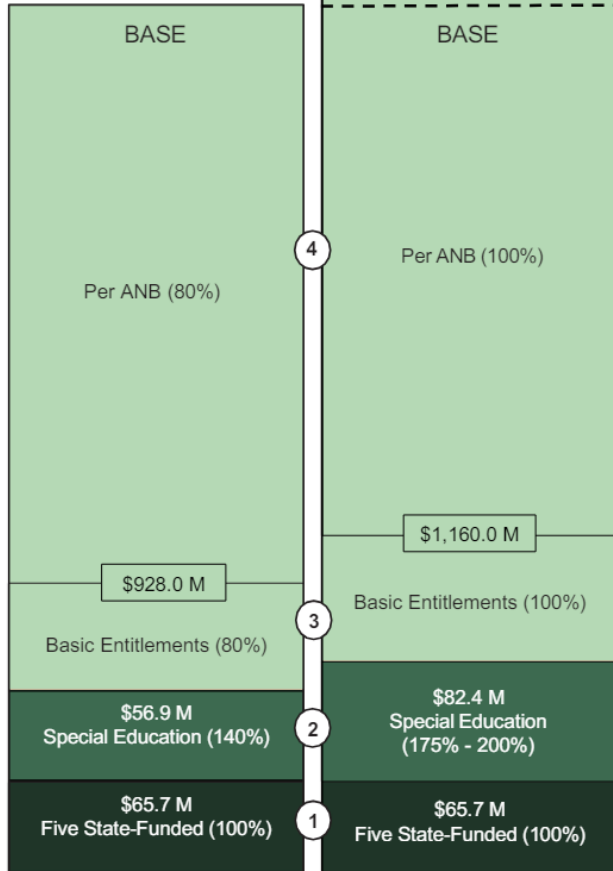


# Forecast Results

# District General Fund

## FY 2024 Statewide District General Fund Budget

Total BASE Budget \$1,050.5 M  
About 80% of Max Budget



**BASE Budget**

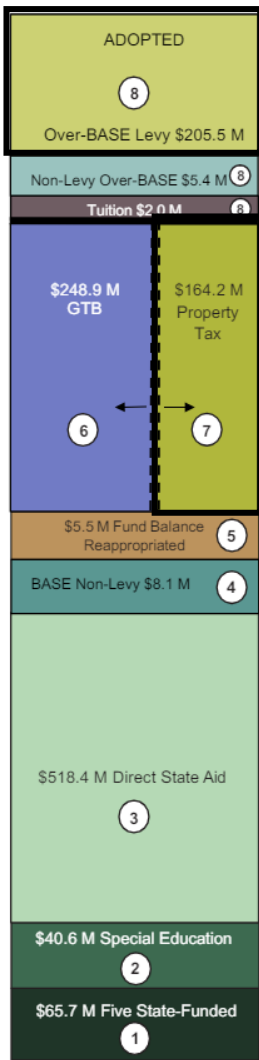
Total MAX  
Budget  
\$1,308.1 M

BASE  
Per ANB (100%)

\$1,160.0 M  
Basic Entitlements (100%)  
\$82.4 M  
Special Education  
(175% - 200%)  
\$65.7 M  
Five State-Funded (100%)

**Max Budget**

About 97% of Max Budget



**Adopted Budget**

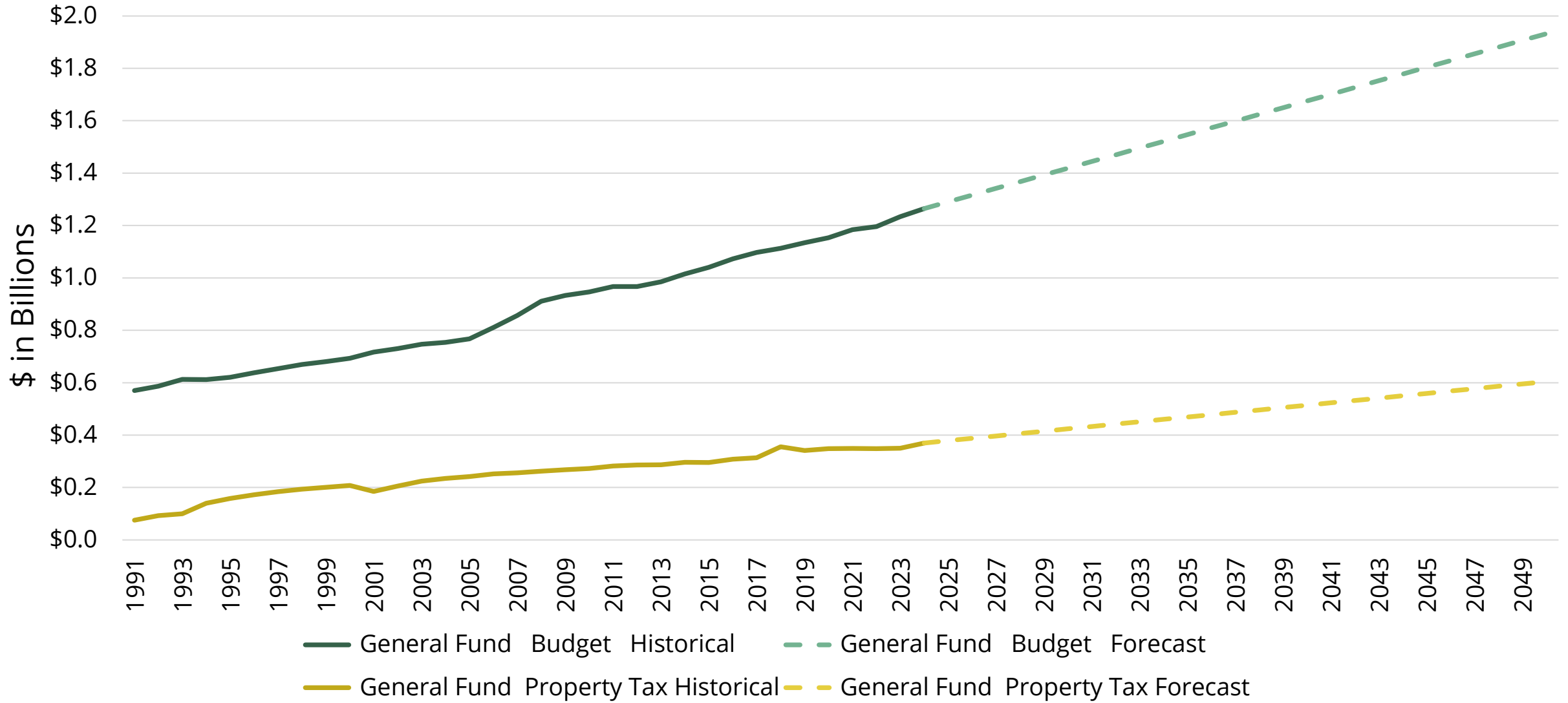
The district general fund budget is constrained by the school funding formula:

- There is a minimum required budget (BASE), which is about 80% of the maximum budget
- These limits are established based on certain percentages of various school funding components

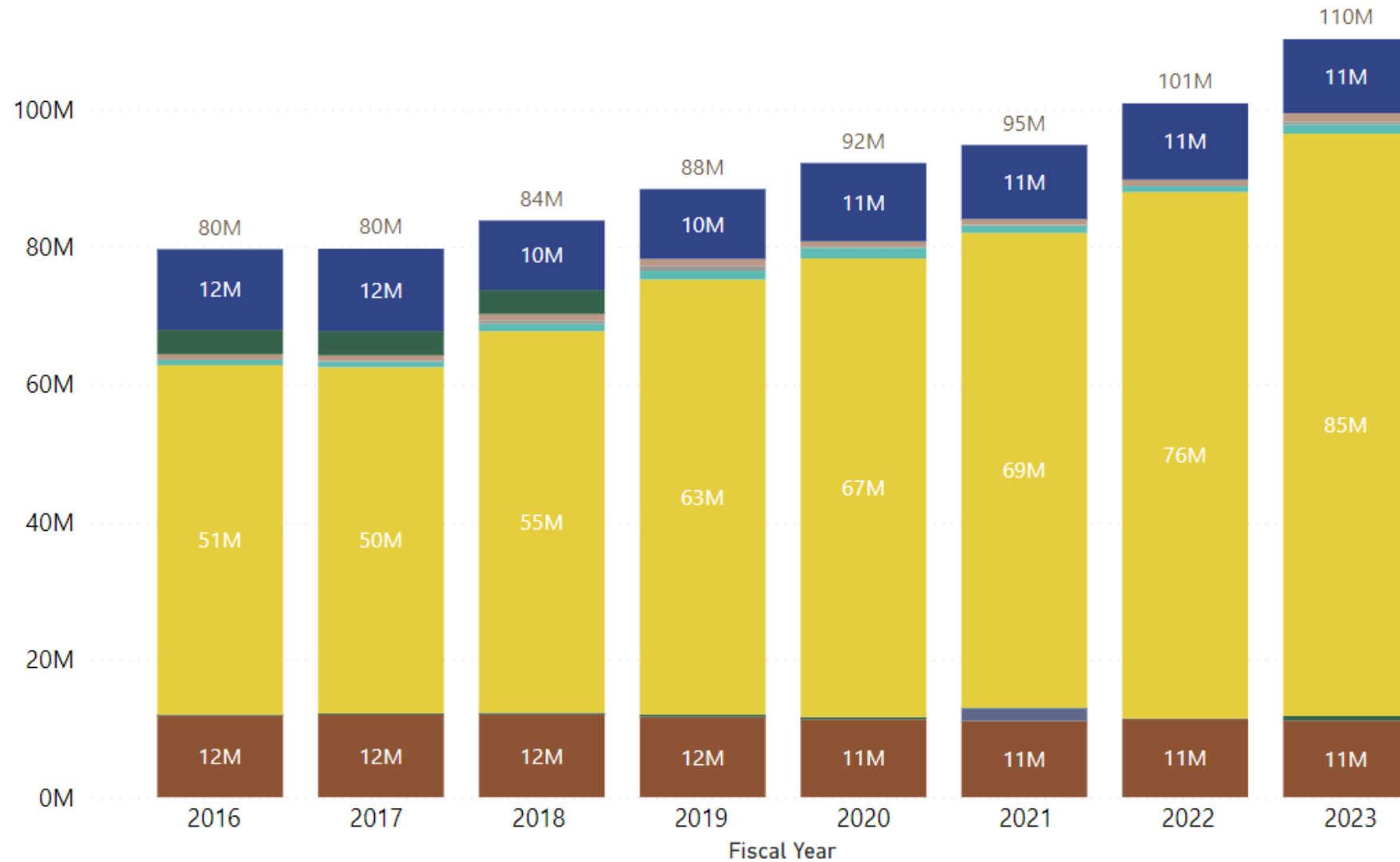
The **property tax** components of the district general fund budget are similarly constrained by the school funding formula, but are also dependent on the other funding components:

- Various forms of state aid, non-levy revenue, and required property tax levies make up the BASE budget
- Tuition, non-levy revenue, and voted property tax levies can be used to fund a district up to the MAX budget (the over-BASE area)

# District General Fund



# Transportation Fund



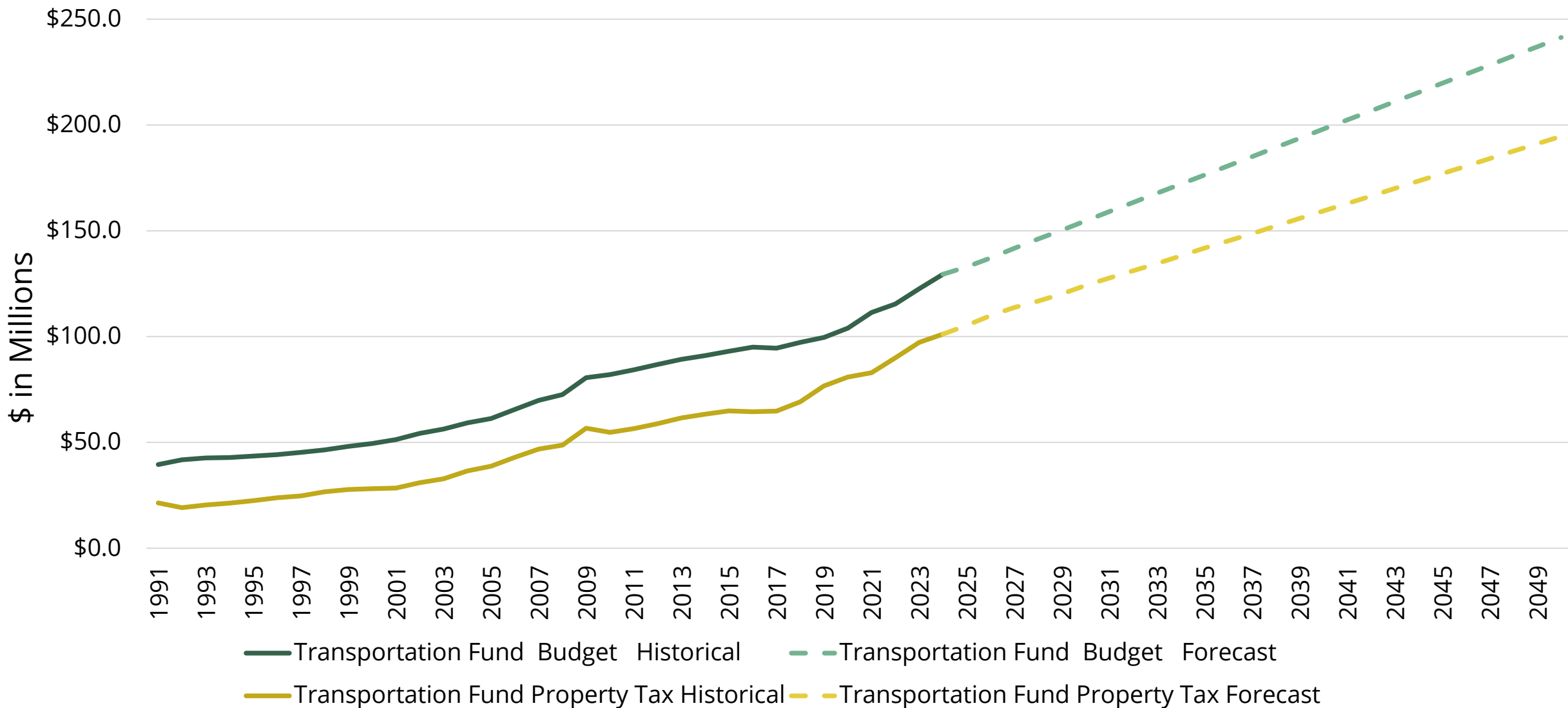
The transportation fund is also primarily funded by property taxes:

- A **county level school property tax component**
- A **local school district property tax component**
- Some **state funding**

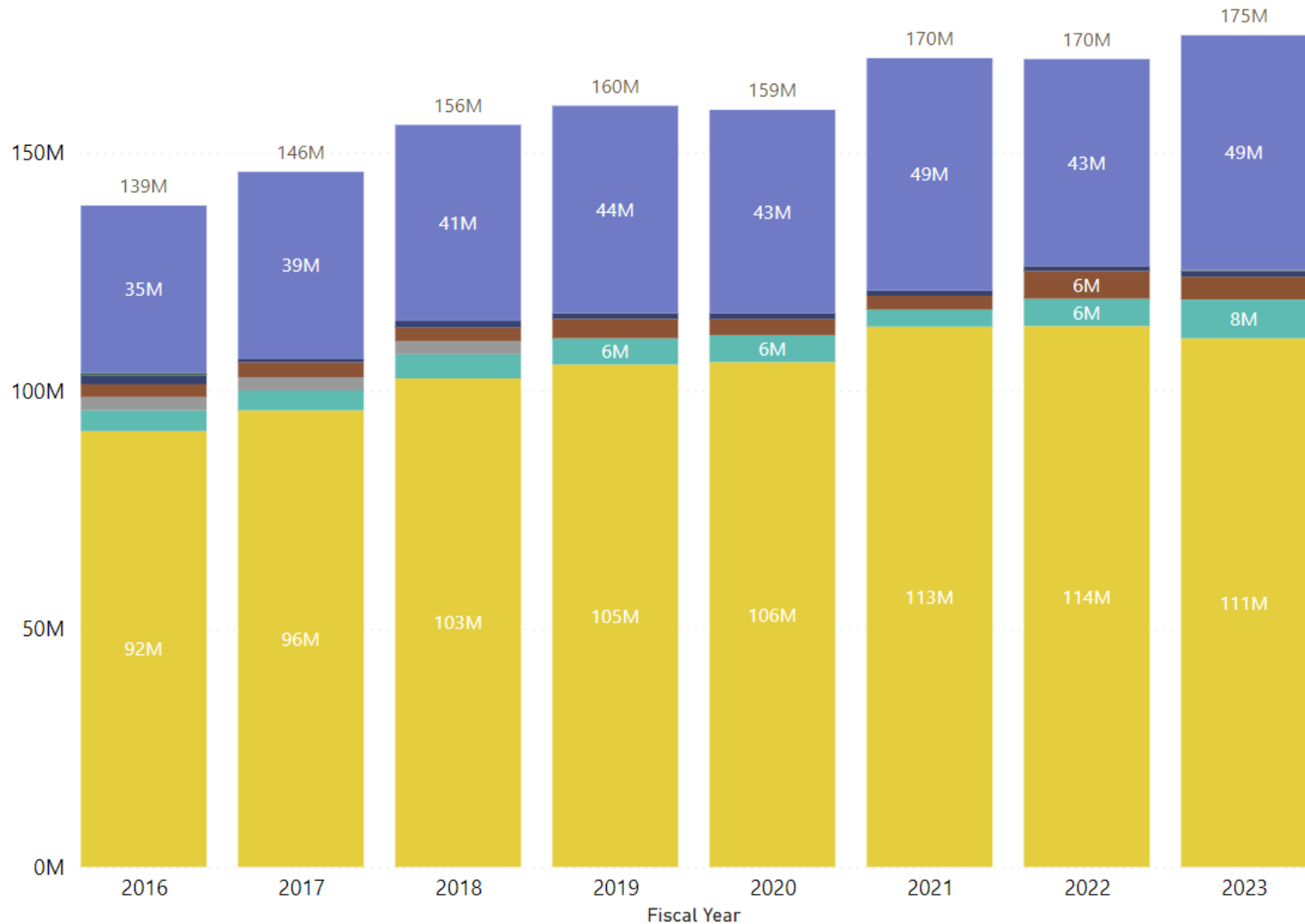
However, the **state** and **county** portions of this fund have remained relatively stagnant for the last decade, and the fund is relying more and more on **local** property tax revenues.



# Transportation Fund



# County Retirement Fund

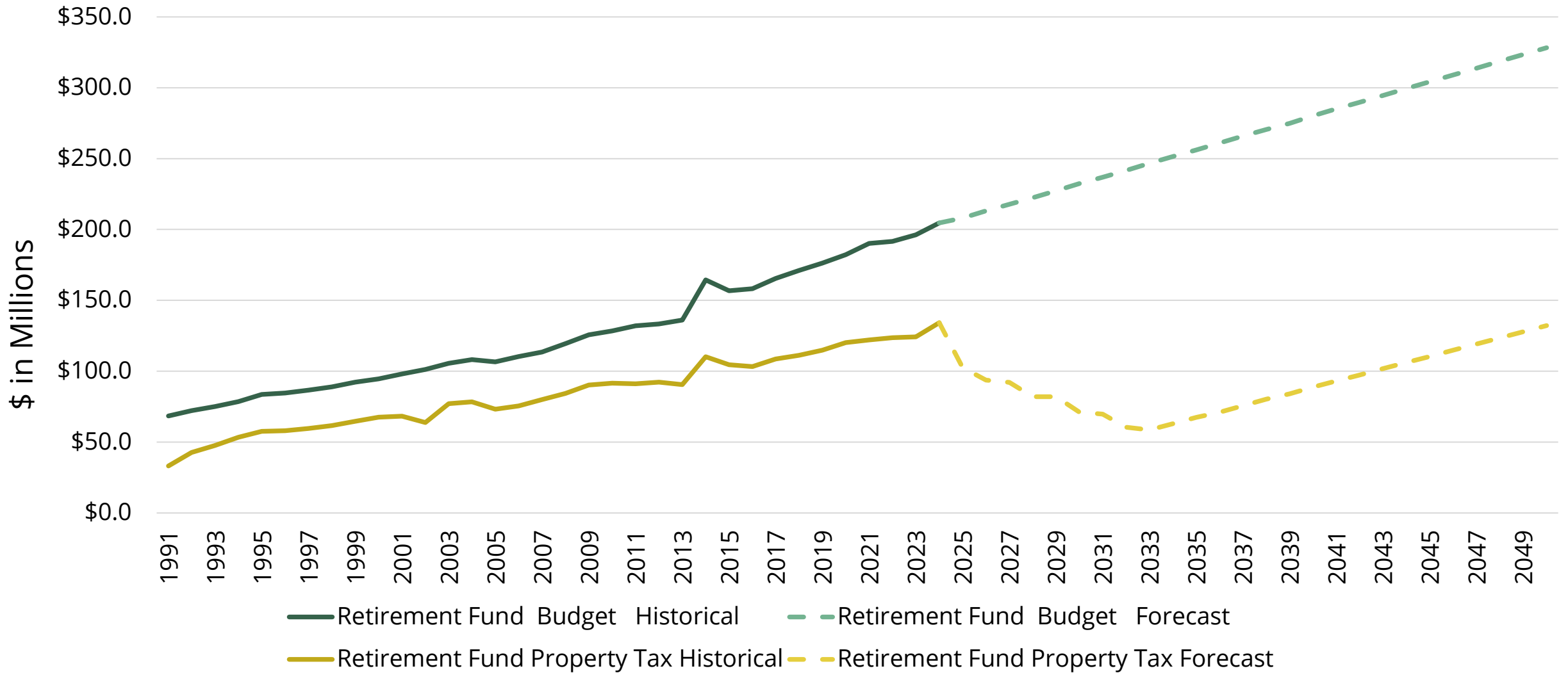


The county retirement fund is constrained by formulaic nature of retirement payments.

The primary source of revenue for this fund is **property tax** – a required levy that is collected at the county level.

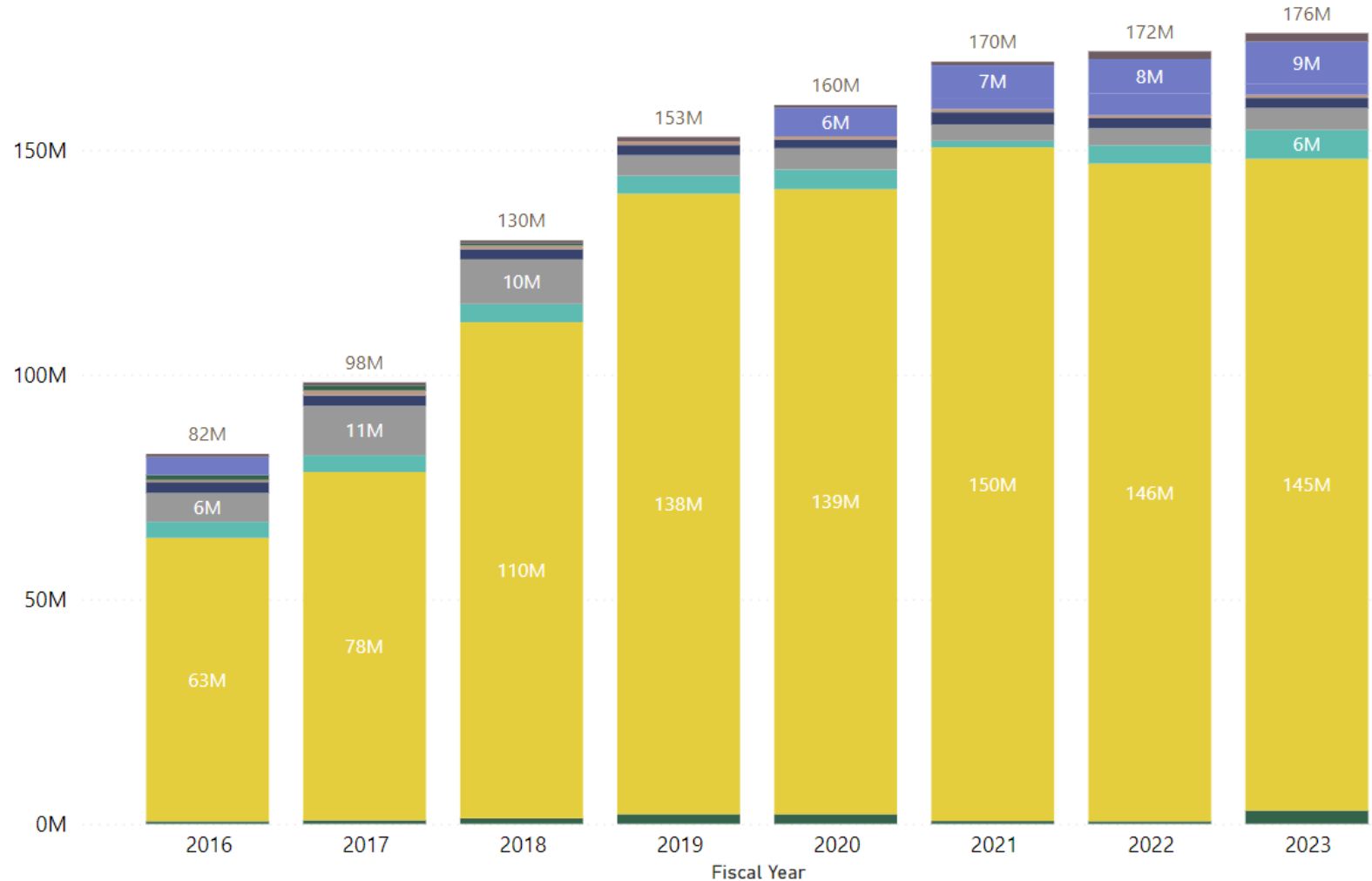
- However, the fund also receives state support through the **retirement GTB** formula

# County Retirement Fund



# Facilities Funds

## Building Reserve Fund & Debt Service Fund

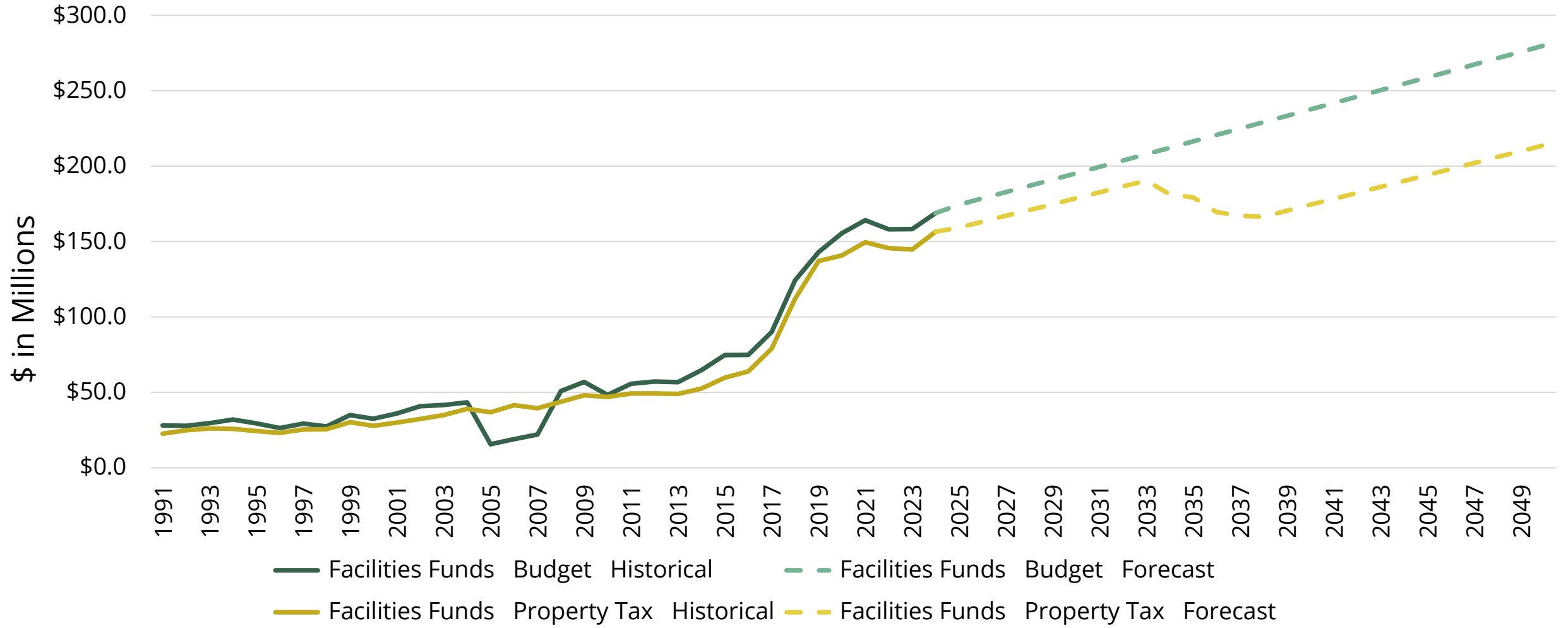


The two facilities-related funds have increasingly been relying on **local property taxes** as their main sources of revenue.

- The state contributes a small amount to these through **state major maintenance aid** (building reserve fund) and **state debt service assistance** (debt service fund)

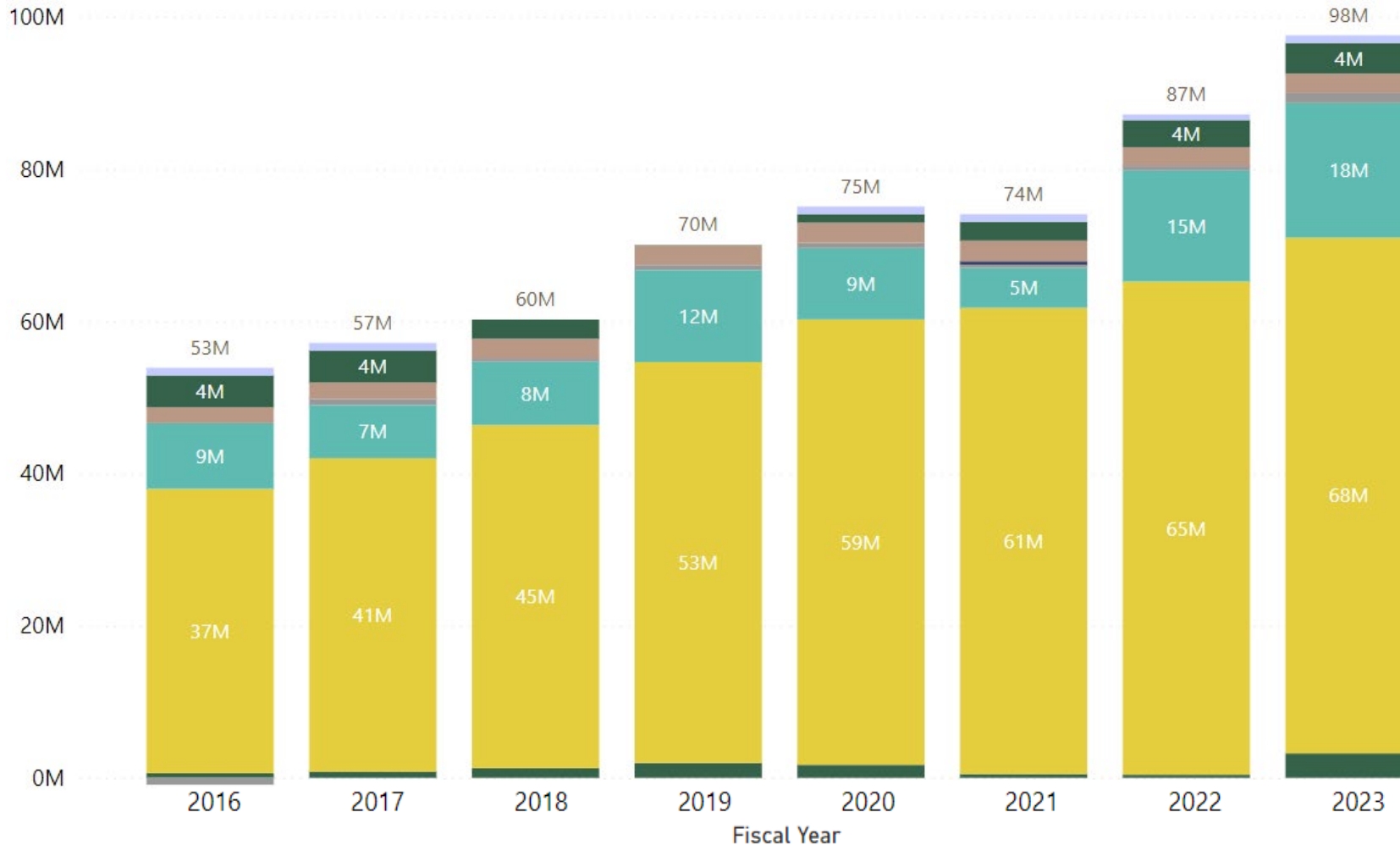
# Facilities Funds

## Building Reserve Fund & Debt Service Fund



# Other Funds

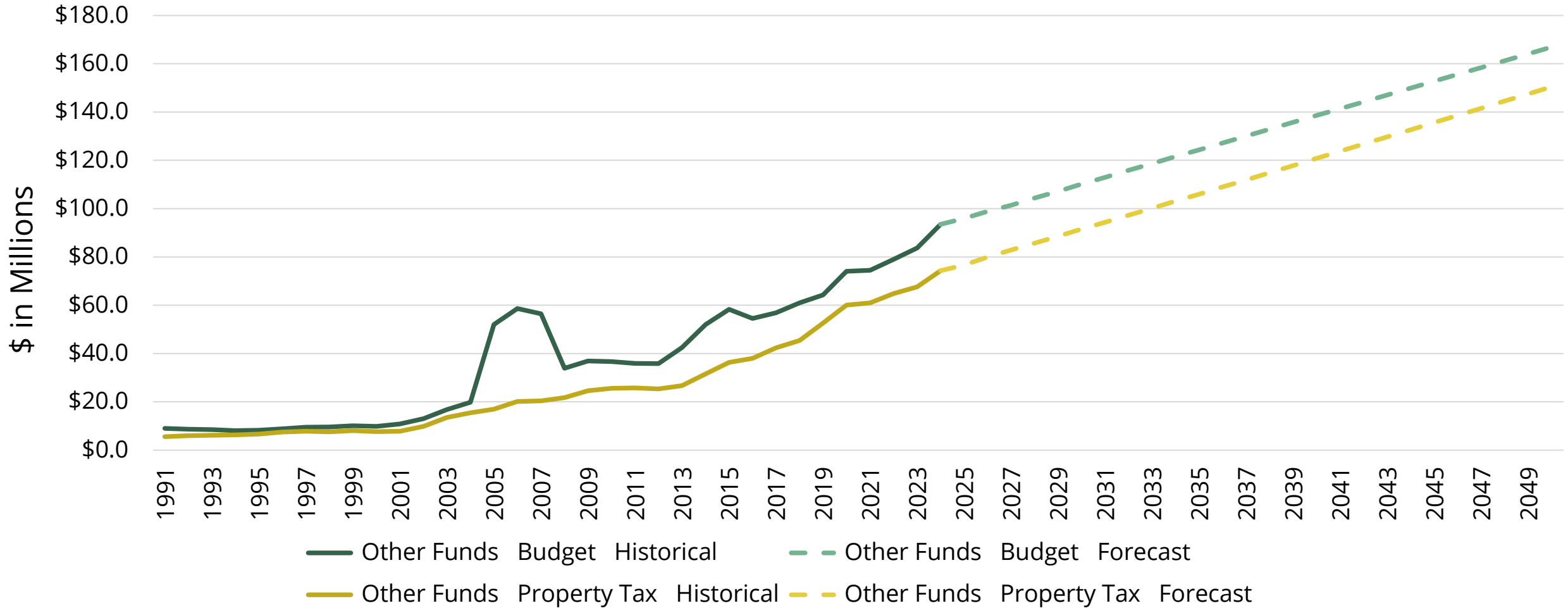
## Adult Education Fund, Bus Depreciation Fund, Flexibility Fund, Technology Fund, & Tuition Fund



These funds are primarily funded at the local level, through **local property tax levies** and **non-levy revenue**, with a very small amount of **state support** in the technology fund.

# Other Funds

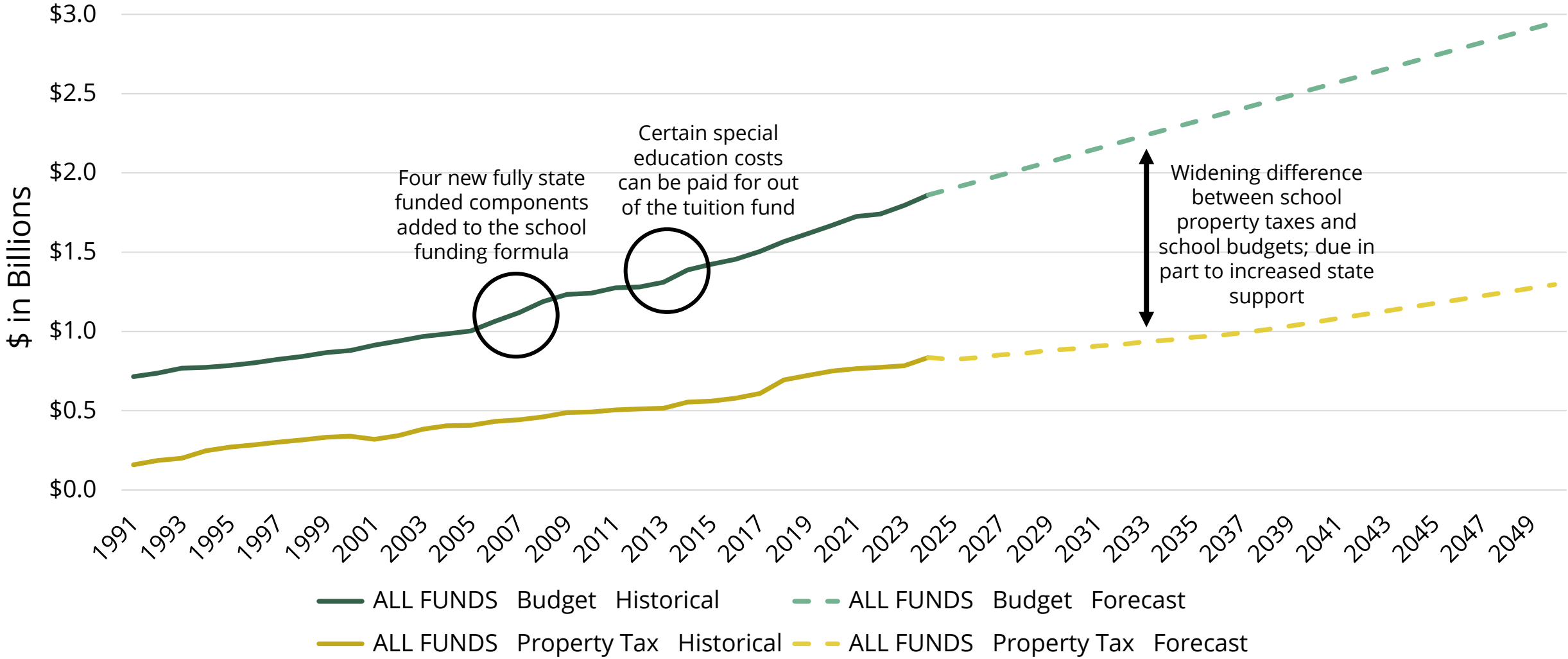
Adult Education Fund, Bus Depreciation Fund, Flexibility Fund, Technology Fund, & Tuition Fund



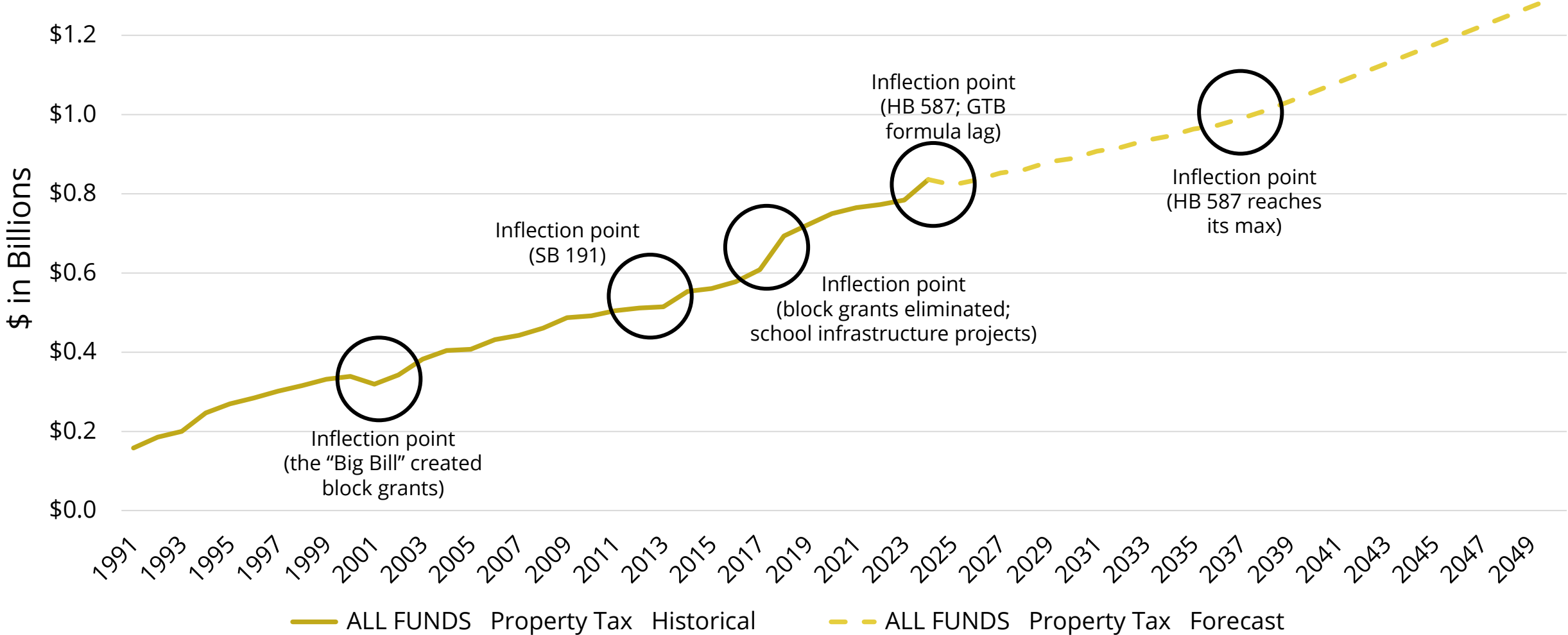
# Implications



# All Budgeted Funds Forecast



# All Budgeted Funds Forecast



# Implications

## Revenue Changes

- When school districts lose or gain other revenue sources (e.g. non-levy revenue), these changes are offset by property taxes and state support

## Budget Demands

- Certain school districts are experiencing enrollment growth, while others are experiencing declines
- School infrastructure needs will impact future budgets

## Future Policy Changes

- The 2025 biennium decennial study may result in policy changes that impact the trends shown here

# Future Work

Connections to incorporate into the model in the future:

- K-12 enrollment
- Changing natural resource revenue – impacts to non-levy revenue for school districts
- More detailed school infrastructure data
- Connect revenues and expenditures to budget data
- Potential future policy changes – 2025 Legislative Session & 2025 Interim Decennial Study

# Questions?