



## School Finance Training

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March 9, 2012

Legislative Finance Committee

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Legislative Fiscal Division



## Montana School Funding History

### Two Budgeted Funds

Debt Service Fund  
Retirement Fund

A Budgeted Fund is a fund that is supported by property taxes. A district's school board must prepare a budget in advance of the year in which the budget is to be spent and levy the property taxes to support it.

All Funds must report revenues, expenditures and fund balances at the completion of a school year.

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## Montana School Funding History

### Budgeted Funds For School Districts

Fund Name	Budgeted FY 2011	Budgeted FY 2012	Share of Total Budgets - FY 2012	Budgeted Property Taxes - FY 2011
General Fund	966,943,063	\$ 967,179,082	66.4%	282,401,486
Transportation	84,282,594	\$ 86,822,589	6.0%	52,763,569
Bus Depreciation	44,174,749	\$ 46,925,425	3.2%	8,771,876
Tuition	5,069,705	\$ 4,677,504	0.3%	2,689,866
Retirement	132,057,003	\$ 133,274,407	9.2%	85,084,515
Adult Education	15,673,035	\$ 14,125,981	1.0%	6,205,101
Non-Operating	58,978	\$ 88,555	0.0%	-
Technology	27,634,116	\$ 28,573,828	2.0%	8,055,456
Flexibility	41,008,813	\$ 40,451,343	2.8%	-
Debt Service	47,784,289	\$ 49,826,640	3.4%	37,900,118
Building Reserve	66,332,819	\$ 84,303,902	5.8%	11,288,895
3 All Budgeted Funds	1,431,019,165	1,456,249,255	100.0%	495,160,880

## Montana School Funding History

### Compare Budgeted to Actual School District Expenditures

Fund Name	Budgeted FY 2011	Actual FY 2011	Share of Total Expenditures	Actuals as a percent of Budgeted - FY 2011
General Fund	966,943,063	963,661,004	76.3%	99.7%
Transportation Fund	84,282,594	73,283,452	5.8%	86.9%
Bus Depreciation Fund	44,174,749	9,199,733	0.7%	20.8%
Tuition Fund	5,069,705	2,686,888	0.2%	53.0%
Retirement Fund	132,057,003	118,614,261	9.4%	89.8%
Adult Education	15,673,035	8,985,389	0.7%	57.3%
Non-Operating Fund	58,978	16,491	0.0%	28.0%
Technology Fund	27,634,116	11,744,418	0.9%	42.5%
Flexibility Fund	41,008,813	13,358,991	1.1%	32.6%
Debt Service Fund	47,784,289	45,231,561	3.6%	94.7%
Building Reserve Fund	66,332,819	16,220,176	1.3%	24.5%
4 All Budgeted Funds	1,431,019,165	1,263,002,365	100.0%	88.3%

## Montana School Funding History

### Components needed to determine school district eligibility for Debt Service GTB

1. Taxable Values – Obtained from Department of Revenue
2. ANB – Taken directly from district adopted budgets.

**Note:** OPI does not adjust ANB for unanticipated enrollment increases or audit adjustments.

School district eligibility is calculated and determined annually by OPI between mid December and early January.

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## Montana School Funding History

### Timeline For Calculating Debt Service GTB Eligibility For The **Ensuing** Fiscal Year

- Budgeted ANB is taken from the current fiscal year adopted budget received budgets in September. (Budget ANB in FY2012 is used to determine eligibility for FY2013).
- OPI receives a final determination of taxable values from DOR by December 1. (2011 taxable values are used to determine eligibility for FY2013).
- OPI performs reasonability checks on changes in taxable values and verifies total elementary taxable values equal total high school taxable values. (generally takes a couple of weeks with an exchange of correspondence between DOR and OPI)
- OPI calculates, tests, and verifies facility guaranteed mill value per ANB and district mill values per ANB (completed prior to February 1)
- OPI provides mill value per ANB ratios to districts and counties by March 1<sup>st</sup>. (information is provided on Preliminary Data Sheets)

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## Montana School Funding History

### Eligible District

District Mill Value Per ANB  
is less than  
Corresponding Facility Guaranteed Mill Value Per ANB

$$\frac{(\text{District Taxable Value}/1000)/\text{District ANB}}{((\text{Statewide Taxable Value} \times 1.40)/1000)/\text{Statewide ANB}} <$$

MCA,  
20-9-366(3)

Note: TIFs are excluded from taxable values

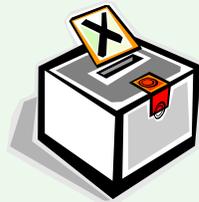
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## Montana School Funding History

### Qualifying Debt Obligation

Only **General Obligation Bonds** qualify for  
Facility Entitlements (Debt Service GTB)

MCA, 20-9-408, "General obligation bonds" means bonds that pledge the full faith and credit and the taxing power of a school district.



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## Montana School Funding History

### School Facility Entitlement

MCA, 20-9-370

\$300 per ANB for elementary per year

\$370 per ANB for approved and accredited junior high or middle school/year

\$450 per ANB for high school per year

State share of entitlement =  $1 - \frac{\text{district mill value per ANB}}{\text{facility guaranteed mill value per ANB}}$

### Calculation of School Facility Entitlement Amount

MCA, 20-9-371

**State share of entitlement times the lesser of the total facility entitlement or the district current year debt service obligation**

## Example of an Elementary District's Debt Service Calculation

	ANB	Entitlement Rate	Entitlement
K - 6	100	\$ 300	\$ 30,000

Suppose District wants to build a building and sell a 20-year bond for \$400,000, at 4% Principal and interest will amount to \$30,000. The debt service entitlement also happens to be \$30,000

Statewide Elementary mill value per ANB X 140%

Statewide Taxable Value (net of TIF)	\$ 2,345,121,343
Statewide Mill Value	\$ 2,345,121
Statewide Elementary ANB	\$ 102,059
140% of statewide mill value per ANB	32.17

Elementary District mill value per ANB

Taxable Value of district	\$ 2,000,000
Mill Value of District	\$ 2,000
Mill value of District per ANB	\$ 20.00

State share of entitlement

$$1 - \frac{(\text{District mill value per ANB})}{(140\% * \text{statewide mill value per ANB})} = \mathbf{38\%}$$

$$\$30,000 \times .38\% = \$ 11,349$$

Local Share of Entitlement is \$30,000 less state share \$ 18,651

District mill levy needed to fund debt service with state subsidy 9.33

District mill levy needed to fund debt service without subsidy 15.00

## Montana School Funding History

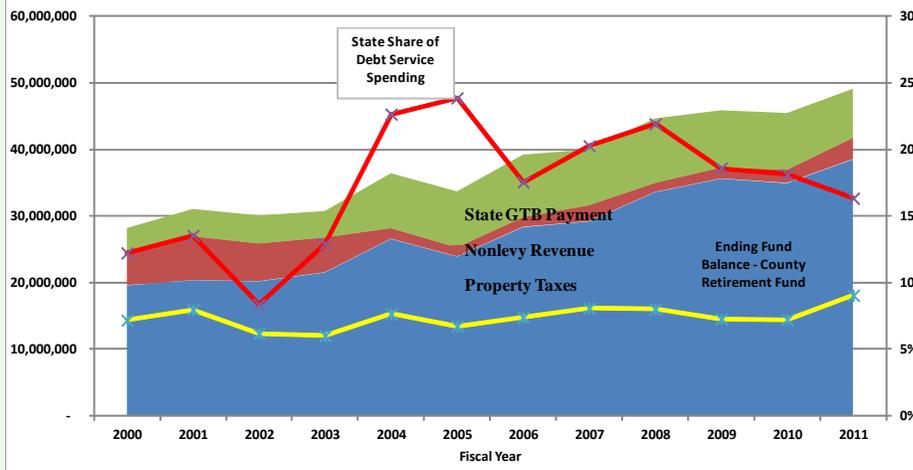
### District Debt Service Fund - FY 2011

<b>Beginning Fund Balance</b>	<b>\$ 14,467,309</b>
<b>Property Taxes</b>	<b>\$ 38,513,909</b>
<b>Nonlevy Revenue</b>	<b>\$ 3,334,680</b>
<b>State Reimbursements &amp; Advance</b>	<b>\$ 7,420,970</b>
<b>Proceeds from Refunding Bonds</b>	<b>\$ 108,639</b>
<b>Total Revenue</b>	<b>\$ 49,378,199</b>
<b>Total Available</b>	<b><u>\$ 63,845,508</u></b>
<b>Total Disbursed to Bond Holders</b>	<b>\$ 45,438,691</b>
<b>Ending Fund Balance</b>	<b><u>\$ 18,406,817</u></b>

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## Montana School Funding History

School District Debt Service Revenues - 2000 - 2011



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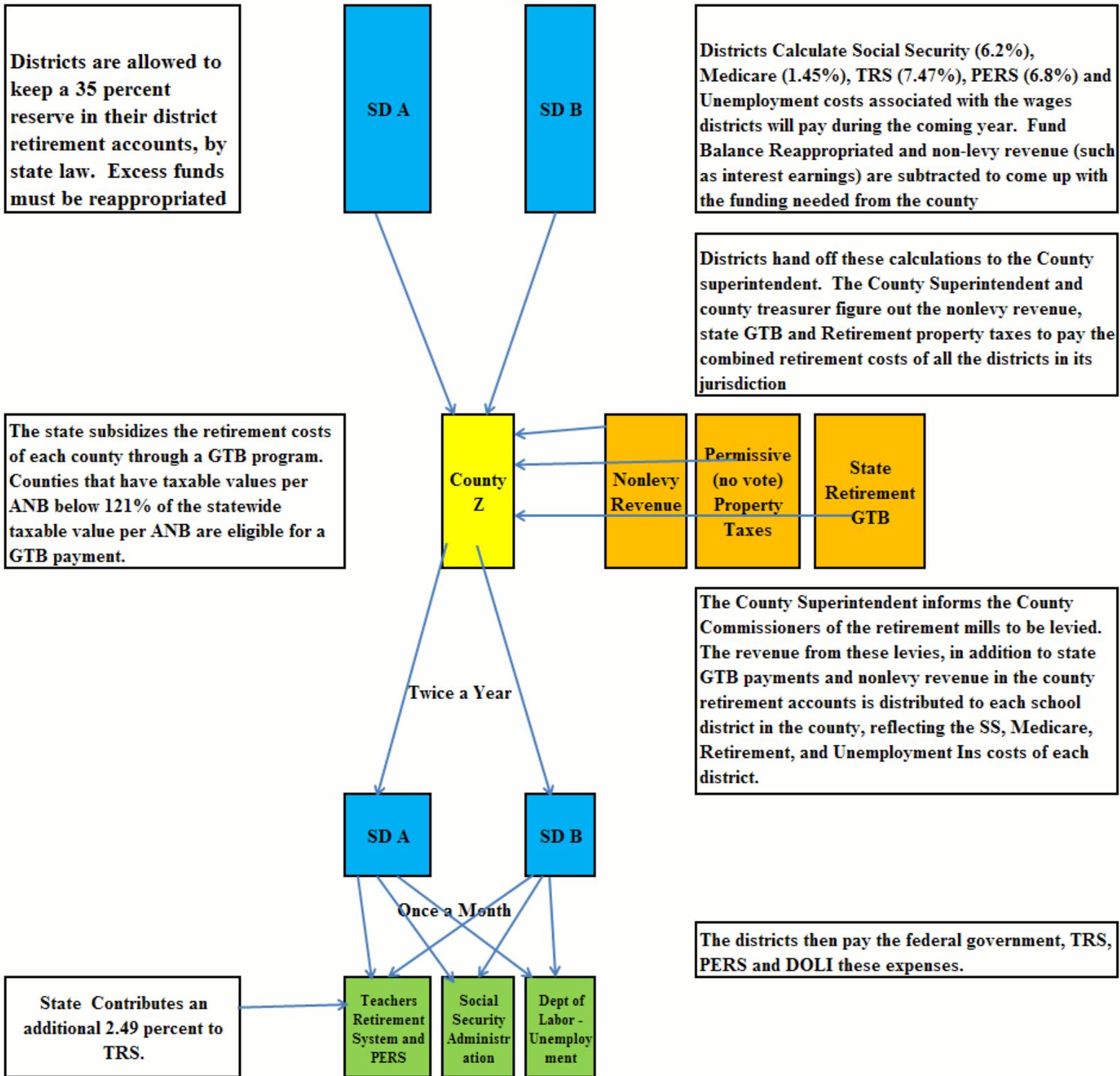
## Historical Data

Fiscal Year	State Appropriation	Total Allocated	Pro-Rate Allocation	Number of Districts Receiving
2012-13	8,586,000			
2011-12	8,586,000	8,586,000 **	99.86%	109
2010-11	7,420,970 *	7,420,970	79.42%	110
2009-10	8,586,000	8,586,000	100.00%	109
2008-09	11,273,682	8,657,176	100.00%	112
2007-08	10,509,037	9,744,392	100.00%	111
2006-07	11,362,762	8,447,578	100.00%	101
2005-06	10,399,135	9,435,508	100.00%	102
2004-05	8,411,293	8,411,293	81.63%	100
2003-04	8,270,735	8,270,735	95.03%	114
2002-03	4,450,000	3,990,862	100.00%	73
2001-02	4,350,000	4,216,183	100.00%	70
2000-01	4,140,441	4,140,441	97.71%	60
1999-2000	3,359,559	3,359,559	100.00%	53
1998-99	3,000,000	3,000,000	86.64%	51
1997-98	2,500,000	2,500,000	78.65%	44
1996-97	2,000,000	2,000,000	75.64%	35
1995-96	1,500,000	1,500,000	93.73%	26
1994-95	1,000,000	1,000,000	72.42%	19
1993-94	1,000,000	800,000	80.00%	-

\* The State appropriated \$9,744,392 during the 2009 Legislative Session for fiscal year 2010-11. However, due to budget cuts, only \$7,420,970 was available for allocation.

\*\* Preliminary

## Retirement Accounts - Funding for School Districts in Montana

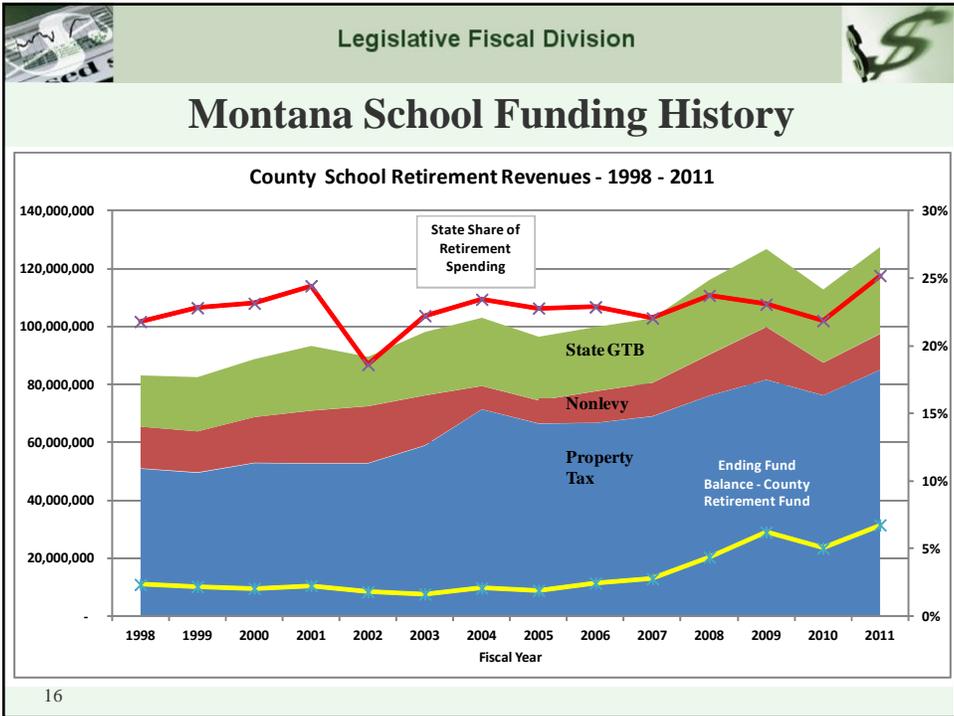


**Legislative Fiscal Division**

### School Retirement Balance Sheets - FY 2011

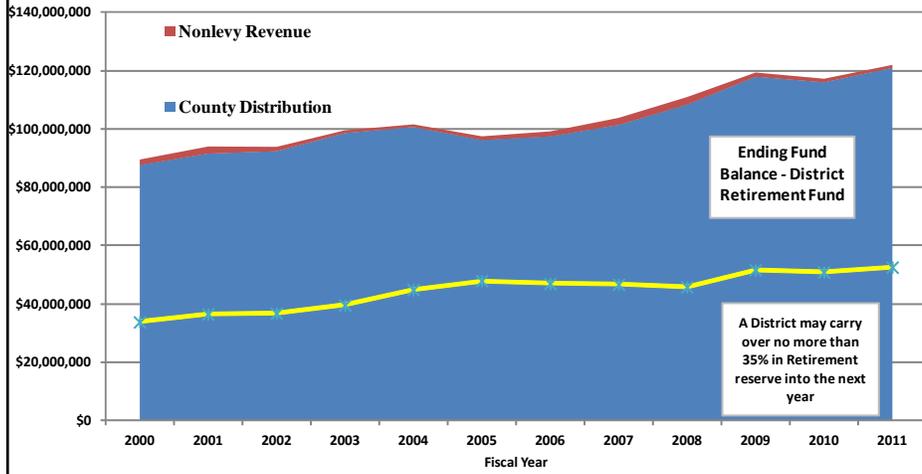
County Accounts	
Beginning Fund Balance	\$ 23,131,320
Retirement Property Taxes	\$ 85,084,515
Nonlevy Revenue	\$ 12,415,389
State Retirement GTB	<u>\$ 30,012,382</u>
<b>Total Available</b>	<b><u>\$ 150,643,606</u></b>
Paid to School Districts	\$ 119,132,666
<b>Ending Fund Balance</b>	<b><u>\$ 31,510,940</u></b>
District Accounts	
Beginning Fund Balance	\$ 50,886,345
Interest earnings plus Other	\$ 2,351,534
Payments from Counties	<u>\$ 119,132,666</u>
<b>Total Available</b>	<b><u>\$ 172,370,545</u></b>
Payments to SSA, TRS, PERS, UI	\$ 119,766,774
<b>Ending Fund Balance</b>	<b><u>\$ 52,603,771</u></b>

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# Montana School Funding History

## School District Retirement Revenues - 2000 - 2011



# How Retirement GTB Works

HB28 - 1989 special session - implemented 1991

Districts Figure out the sum of their SS (6.2%), Medicare (1.45%), TRS (7.47%), PERS (6.8%) and UI costs	\$	400,000
Districts subtract any fund balance reappropriated and nonlevy in district retirement fund from this amount	\$	20,000
Districts send net requirement to county Superintendent	\$	380,000
County subtracts any fund balance reappropriated and nonlevy from district requirements (one for Elem and one for HS)	\$	10,000
<b>This is the net County retirement requirement</b>	<b>\$</b>	<b><u>370,000</u></b>



Calculate Net Requirements

	County	Statewide
DOR Taxable Value of County for prior year net of TIF's/1000 = Mill Value	\$ 18,194	\$ 2,260,515
Prior Year Elementary ANB in County and State	838	101,483
Statewide GTB Ratio, MCA 20-9-366(4)(b)		1.21
Equals County and Statewide <u>Mill Value per ANB</u>	\$ 21.71	26.95
<b>Calculate GTB Subsidy Share</b>		
1- $\frac{\text{(District mill value per ANB)}}{\text{(121%*statewide mill value per ANB)}}$	<b>19.4%</b>	
Calculate GTB Subsidy = Net Requirement times GTB Share	\$ 71,952	\$370,000 X 19.4%
Property Taxpayers Share (Net Requirement - GTB Subsidy)	\$ 298,048	\$370,000 - state GTB
Sum of State Share and Local share	\$ 370,000	
County Mills Levied ( Property Tax Share / Mill Value of County)	\$ 16.38	
Mills that would have been levied without GTB	\$ 20.34	



Calculate Retirement GTB Subsidy

## Montana School Funding History

### September Meeting:

- How the District General Fund Works
- What did SB 329 Do?