



# coalition of advocates

## FOR MONTANA'S PUBLIC SCHOOLS

MASBO | MREA | MTSBA | MQEC | SAM

### Consensus K-12 Funding Formula Package Discussion Draft

June 12, 2024, Revisions

#### Introduction:

The Coalition of Advocates for Montana's Public Schools (Camps Coalition) have been working to address growing structural flaws and gaps in the funding formula that have increasingly challenged school districts in seeking to develop the full potential of each child in every public school in Montana. These challenges became increasingly visible during and in the wake of the pandemic and although the federal ESSER funds that assisted school districts in meeting these challenges will soon expire, the underlying problems remain.

**Key Fact, Inflation Gap:** The gap between CPI-U inflation from 2020-2025 compared to the inflationary adjustments to the formula elements under a 3% cap on inflation has grown to approximately 11% over just the last four years since the beginning of the pandemic. The funding loss represented by this gap is:

1. \$101 million each year in K-12 BASE Aid;
2. \$119 million at the BASE budget of school districts;
3. \$142 million in adopted general fund budgets; and
4. \$148 million at the Maximum budget allowed by law.

**Key Fact, CAMPS Proposal for \$142 million increase per year with property tax relief for 83% of Montana taxpayers:** In addressing the above, we have developed a proposal that would close the inflation gap, simplify and improve equity in and better align the funding formula to the Legislature's definition of quality. The proposal would also provide tax relief and improved equity by replacing variable school district BASE property tax mills with countywide GTB subsidized equalized mills that would reduce taxes for 83% of Montanans.

Fiscal Year	Inflation Factor Applied to Formula Elements	CPI-U Inflation	Inflation Factor on Formula Elements Compared to CPI-U
2020	0.91%	1.80%	-0.89%
2021	1.83%	1.00%	0.83%
2022	1.50%	5.40%	-3.90%
2023	2.57%	8.50%	-5.93%
2024	2.70%	3.20%	-0.50%
2025	3.00%	3.40%	-0.40%
Cumulative 5 Year Total			-10.79%

#### Part I: Funding Formula Elements and Simplification:

##### Primary Objectives of Funding Formula Changes:

1. **Ensure improved equity in the funding formula by implementing countywide GTB subsidized equalization mills for school district general fund budgets.**  
Implementing GTB subsidies at the county rather than district level is estimated to

narrow the range of mills for BASE budgets from 0-51 (current) to 9-42 (with all but four counties ranging from 35-41 BASE mills).

2. **Increase emphasis in the funding formula for recruitment and retention of quality educators.** By reducing the current funding for Per-ANB and using those savings to increase the quality educator payment, the proposal better balances and resolves the over-emphasis on variable ANB counts in the current funding formula. The formula with these changes would remain approximately 58% based on ANB, 13% based on the Basic Entitlement and another 21% based on quality educators, with the remainder to other key funding elements.
3. **Close the gap on funding differences in elementary and high school programs.** Exchanging a portion of ANB funding that currently differs by 30% between elementary and high school with a quality educator payment that remains the same for both elementary and high school increases funding for elementary programs that have current budget shortfalls that are larger than high school funding shortfalls.
4. **Create funding formula growth for a school district's adopted budget that matches the inflation passed by the Legislature.** Currently, only the 80% BASE budget grows by inflation and schools must conduct elections to access funding levels already approved by the Legislature. This is redundant, unnecessary and conflicts with the Legislature's definition of quality. Allowing limited tax increases to access the inflation approved by the Legislature will reduce the necessity of elections and will also assist the Legislature in defending its formula that is required to be "self-executing with annual inflationary adjustments." (20-9-309).

This funding proposal seeks to simplify, reallocate, and stabilize the funding formula by better aligning the formula to the Legislature's definition of quality in 20-9-309, MCA.

#### **Part II: Key Funding Elements:**

1. BASE Budget – Fully guaranteed by the State, substituting county mills for current local mills varying from 0-51 under current law.
2. MAX would be 1.25 X BASE in all districts.
3. Remove the 3% cap which is responsible for the current 11% five-year shortfall in funding compared to CPI-U inflation, compress the number of years used to compute average inflation from three years to two years, and use the cost of employment index.
4. Per-ANB –
  - a. \$4,000 elementary
  - b. \$5,200 middle school and high school. Fund 6<sup>th</sup> graders in an accredited middle school at high school levels like 7<sup>th</sup> and 8<sup>th</sup> graders under current law.
  - c. Remove the decrement
5. Basic Entitlement –
  - a. \$60,000 elem. 2nd+ entitlements for every add'l. group of 100 ANB
  - b. \$120,000 middle. 2nd+ entitlements for every add'l. group of 250 ANB
  - c. \$350,000 high. 2nd+ entitlements for every add'l. group of 400 ANB
6. Quality Educator Payment - \$20,000.
7. IEFA, AIA, D4A all funded with \$5,000 minimum
8. Special Ed at 40% increase over current law (Increase from approximately \$41 million to \$58 million)