coalition of advocates FOR MONTANA'S PUBLIC SCHOOLS

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Demographic and Economic Realities That Demand a Modernized School Funding System

The CAMPS Proposal Is a Response to a Changing Montana – June 15, 2026

Introduction

The School Funding Interim Commission has been charged with evaluating whether Montana's school funding system remains capable of supporting the constitutional promise of a quality public education for every child. That evaluation often focuses on formula mechanics, enrollment counts, inflation adjustments, and property taxes. Those issues matter, and they are being shaped by larger demographic and economic forces that are changing Montana itself.

As we have previously outlined before the Commission, Montana is undergoing a demographic and economic transition that is changing both the state's capacity to fund public education and the manner in which that funding should be raised. The purpose of this memorandum is to highlight several interconnected trends that deserve consideration as policymakers evaluate the future of school funding in Montana and the funding proposal of the Coalition.

Together, these trends show that Montana is entering an era in which economic capacity will grow faster than the school-aged population, property values may continue to become increasingly disconnected from the actual ability of many residents to pay, and schools may face growing challenges preserving educational opportunity in the face of a decline in the share of our population represented by school-aged children.

A school funding system designed for a different Montana should evolve accordingly.

Several of the trends we have previously outlined before the Commission were recently validated through research presented to the Montana Legislature's Modernization and Risk Analysis Committee (MARA), which examines long-term demographic, economic, workforce, and fiscal trends that may affect Montana's future. When considered alongside recent revenue reports and national school finance data from the U.S. Census Bureau, that research provides important context for evaluating the future of Montana's school funding system and further highlights the value of the Coalition's funding proposal.

A Historic Demographic Turning Point

According to demographic research recently presented MARA, Montana reached a historic demographic milestone in 2024 when deaths exceeded births for the first time in state history.

At the same time:

- The proportion of Montana's population represented by school-aged children continues to decline.
- Many communities are experiencing enrollment challenges.
- New Montanans, particularly older adults relocating to the state, are contributing to growth in statewide income and wealth.
- State income tax collections are outperforming expectations, with the Legislative Fiscal Division recently projecting revenues approximately $170 million above estimates used during the 2025 legislative session.

Together, these trends reflect a profound demographic and economic transition already underway in Montana. According to the MARA demographic analysis, Montana is entering an era in which economic capacity may grow faster than the school-aged population. A school funding system designed for a different demographic reality should evolve accordingly.

Montana Is Becoming Wealthier, But Also Older

Historically, population growth, economic growth, and school enrollment tended to move together. Today, those relationships are diverging.

According to the demographic research presented to MARA, Montana is entering a period in which economic capacity may grow faster than the school-aged population. New residents, particularly older adults relocating to the state, often bring substantial incomes and accumulated wealth, yet frequently add few, if any, additional school-aged children. The result is a state that is becoming wealthier while the proportion of its population represented by children continues to decline.

Evidence of this growing economic capacity can be seen in Montana's income tax collections. The Legislative Fiscal Division previously estimated that the federal One Big Beautiful Bill Act (H.R. 1) would reduce Montana revenues by approximately $114 million through expanded deductions and other changes to taxable income. Instead, by May 2026, individual income tax collections were running $81.8 million above the prior year, total general fund revenues were projected to finish approximately $170 million above the estimates used during the 2025 legislative session, and Montana tax returns reflected a 7.6% increase in federal adjusted gross income.

Together, these developments suggest that Montana's underlying income-producing capacity may be growing more rapidly than previously anticipated. At the same time, the demographic trends identified through MARA indicate that a growing share of that economic growth is occurring without a corresponding increase in the number of school-aged children.

This changing relationship between economic growth and educational demand presents an opportunity for the Legislature to modernize school funding, catch up to peer states in educational investment, and better align school funding with Montana's growing economic capacity. Doing so would help ensure the long-term viability of public schools while reducing pressure on property taxpayers whose rising property values may not reflect a comparable increase in their actual ability to pay.

The Property Tax Challenge

The demographic analysis suggests that many new Montanans, particularly older adults relocating to the state, bring incomes substantially above those of long-term Montana residents. Many also arrive with significant housing equity accumulated elsewhere. Together, these factors increase purchasing power in Montana's housing market and place upward pressure on property values.

For long-term Montana residents, however, rising valuations do not necessarily translate into rising incomes. Families who have lived in the same home for decades may suddenly be treated as though they possess greater ability to pay simply because demographic and economic forces have increased the market value of their property. In many cases, their actual financial circumstances have changed very little.

They are not necessarily participants in this new wealth—they are often bystanders to it.

As property values rise in response to demand from higher-income new Montanans, a growing disconnect emerges between property wealth and the actual economic capacity of many long-term residents who have seen little corresponding growth in household income.

Property values can rise because someone else wants to move into your community.

Income reflects your actual ability to pay.

Montana's School Funding Effort Is Already Among the Lowest in the Nation

Using U.S. Census Bureau data, Montana ranks 46th among the states in public school funding effort measured against personal income.

- Montana invests approximately $3.33 per $100 of personal income on public education.
- The national average is approximately $4.22 per $100 of personal income on public education.
- The difference reflects that Montana spends approximately **$0.89 per $100 of personal income less of personal income** on public education.

** (See accompanying funding effort map and comparison graphic.)*

This is one of the most important insights available to the Commission.

The gap between Montana and the national average is not measured in tens of dollars.

It is measured in pennies.

The MARA Analysis Suggests This Gap May Grow

As highlighted in the MARA demographic analysis, Montana has now reached a point where deaths exceed births. Future population growth will increasingly depend upon attracting new residents rather than natural population growth.

If current demographic trends continue:

- Statewide income capacity is likely to continue growing.
- The proportion of Montanans represented by school-aged children is likely to continue declining.
- Montana's already-low ranking in school funding effort may fall further unless educational investment grows proportionately.

Montana could become wealthier as a state while investing a smaller share of its economic capacity in public education.

The MARA analysis demonstrates that Montana's economic capacity is growing faster than its school-aged population. As that trend continues, maintaining current funding policies will gradually reduce educational investment as a share of the state's growing prosperity and will continue to place an undue burden on property taxpayers.

This trajectory provides a clear choice about how Montana invests in its future.

An Opportunity to Align School Funding with Ability to Pay

The same demographic trends creating pressure on housing prices and rising property taxes tied to valuations are also increasing statewide income capacity.

If Montana's growing economic capacity is increasingly reflected in income rather than in the economic circumstances of long-term property owners, then a modernized school funding system should capture a modest portion of that growing income capacity while reducing reliance on property taxes that are becoming less representative of actual ability to pay as the housing market continues to transform.

The difference in per pupil funding between Montana and the national average is over $600 million but can be addressed through only **$0.89 per $100 of personal income.**

A modest revenue mechanism tied to growing income capacity could:

- Fully fund implementation of the CAMPS proposal.
- Significantly reduce reliance on local property taxes.
- Better align school funding with actual ability to pay.
- Move Montana closer to national norms in educational investment.
- Ensure that educational investment grows alongside the state's economic capacity.

Protecting Both Schools and the Montana Way of Life

This discussion extends beyond school funding. It concerns the future of Montana communities. It concerns long-term Montana families who should not be asked to shoulder increasing tax burdens simply because demographic change has increased the value of their homes. It concerns public schools that remain essential community institutions even as children represent a smaller share of the population. It concerns preserving educational capacity in communities where costs cannot be reduced in perfect proportion to enrollment declines. And it concerns ensuring that the economic benefits associated with growth are used in a way that strengthens Montana's future.

The CAMPS proposal provides a framework for doing exactly that.

By reducing excessive reliance on property taxes and better aligning educational investment with Montana's growing economic capacity, the proposal helps preserve educational opportunity, protect taxpayers, and respond to the demographic realities that will shape Montana for decades to come.

The Opportunity Before Montana

Montana's growing economic capacity creates an opportunity to strengthen public education, reduce pressure on property taxpayers, and better align educational investment with the state's ability to support it.

Montana is becoming wealthier while the proportion of Montanans represented by school-aged children continues to decline. The demographic and economic realities identified through MARA, recent revenue reports, and national school finance data point toward the same conclusion:

Montana is entering an era in which economic capacity is growing faster than the school-aged population.

The CAMPS proposal recognizes Montana’s new reality. It provides a path for preserving educational opportunity, supporting communities, reducing pressure on property taxpayers, and ensuring that Montana's investment in public education grows commensurately with the state's capacity to support it.

The CAMPS proposal is an educationally relevant and affordable response to a changing Montana.

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BUILDING A CONSTITUTIONALLY COMPLIANT SYSTEM OF QUALITY SCHOOLS

The CAMPS Coalition Proposal

QUALITY • EQUITY • INNOVATION • LOCAL CONTROL • PROPERTY TAX RELIEF

INNOVATION ZONE

LOCAL VOTERS MAY APPROVE UP TO 10% ABOVE THE QUALITY ASSURANCE LINE

Discretionary Funding Enhancement (DFE)

Reserved exclusively for:

- Transformational Learning
- Advanced Opportunities
- Expanded Opportunities for Students with Disabilities
- Career Certification
- Dual Credit
- Work-Based Learning
- Technology Innovation
- Facilities and Equipment Supporting Innovation

STOP THE INFLATION EROSION

CURRENT LAW:	CAMPS PROPOSAL:
✗ Inflation capped at 3%	✓ Remove the 3% cap
✗ Lagged calculations	✓ Reduce the inflation lag
✗ Schools fall behind every year	✓ Maintain purchasing power
	✓ Keep the formula constitutionally relevant

ARTICLE X OF THE MONTANA CONSTITUTION

- Develop the Full Educational Potential of Each Person
- Guarantee Equality of Educational Opportunity
- Provide a Basic System of Free Quality Schools
- Fund and Distribute the State's Share Equitably
- Self-Executing Funding Formula

1 STUDENTS 53%

Fair funding for every student.

- Eliminate the Decrement
- $5,000 Grades P–5
- $6,300 Grades 6–12
- Equal treatment regardless of zip code

2 UNIQUE NEEDS 12%

Funding for students who need more support.

- Poverty
- Special Education
- American Indian Achievement Gap
- Indian Education for All
- English Learners
- Other unique needs

3 GREAT EDUCATORS 23%

Invest in people.

- Enhanced QEP
- Teacher recruitment
- Teacher retention
- STARS incentives
- Competitive salaries

$45,000 MINIMUM BASE TEACHER SALARY TARGET (STARS COMPLIANT)

4 STRONG SCHOOLS 12%

Support the learning environment.

- School unit funding
- Rural viability
- Urban capacity
- Operational stability

QUALITY ASSURANCE FUNDING

$1.7 BILLION STATE INVESTMENT

- ✓ Guaranteed funding for every district.
- ✓ No BASE.
- ✓ No Maximum.
- ✓ No repeated elections required merely to reach quality.
- ✓ One statewide Quality Assurance Line.

✓ A SELF-EXECUTING FORMULA THAT DELIVERS EQUALITY OF EDUCATIONAL OPPORTUNITY FOR EVERY STUDENT IN MONTANA.

PROPERTY TAX RELIEF + ADEQUACY

MONTANA CURRENTLY SPENDS $611 MILLION LESS THAN THE NATIONAL AVERAGE PER PUPIL EXPENDITURES

A dedicated surcharge on income tax of only 0.89% would generate enough revenue to reduce property taxes by $300+ million and fund the Quality Assurance Line, providing school funding adequacy, property tax relief and a greater state share.

LOCAL CONTROL PRESERVED

The proposal DOES NOT eliminate voter authority for:

- ✓ Building Reserve
- ✓ Bonds
- ✓ Technology Levies
- ✓ Safety Levies
- ✓ Discretionary Funding Enhancement (DFE) Levies
- ✓ Other locally approved projects

Instead:

- Create a uniform statewide equalization mechanism
- Provide GTB-style assistance, including for DFE levies
- Reduce disparities between wealthy and less wealthy communities
- Protect local choice
- Expand opportunity

WHAT HAPPENS IF WE DO NOTHING?

- Inflation gaps continue
- Teacher shortages worsen.
- Property taxes remain under pressure.
- Montana falls farther behind neighboring states.
- Future litigation becomes increasingly likely.

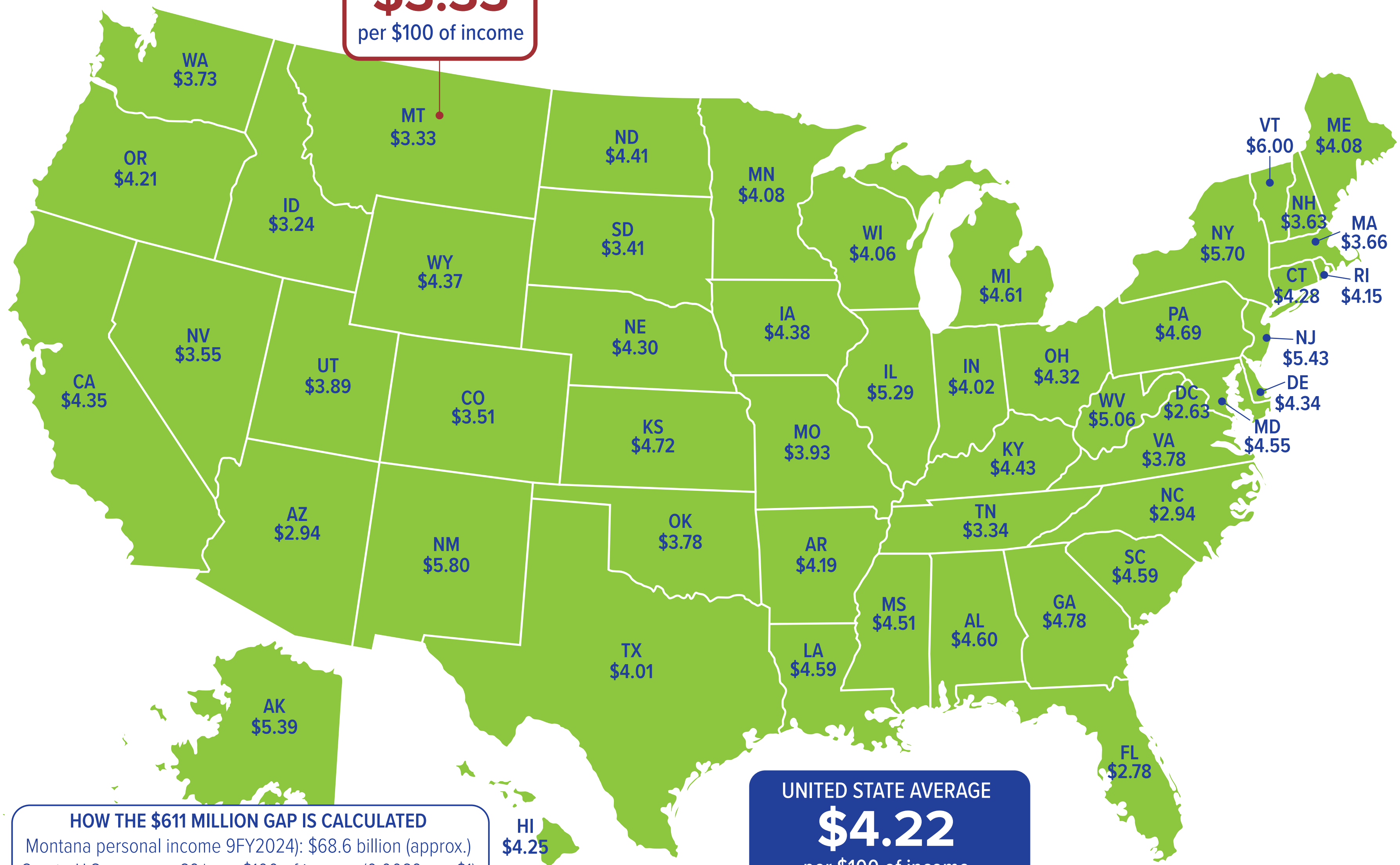
INVEST IN QUALITY TODAY. BUILD OPPORTUNITY FOR TOMORROW. ★ EVERY STUDENT. EVERY COMMUNITY. EVERY FUTURE.

ELEMENTARY-SECONDARY REVENUE PER $100 OF PERSONAL INCOME

BY STATE, FISCAL YEAR 2024 (TABLE 12)

Dollars of elementary-secondary revenue generate for every $100 of personal income.

MONTANA
$3.33
per $100 of income



THE SMALL DIFFERENCE. THE BIG IMPACT.

Montana is
89¢
per $100 of income below the U.S. average.

That small difference adds up to a **$611 MILLION FUNDING GAP** for Montana.

Montana would receive $611 million more for schools if it generated revenue at the U.S. average of $4.22 per $100 of personal income.

UNITED STATE AVERAGE
$4.22
per $100 of income

HOW THE $611 MILLION GAP IS CALCULATED

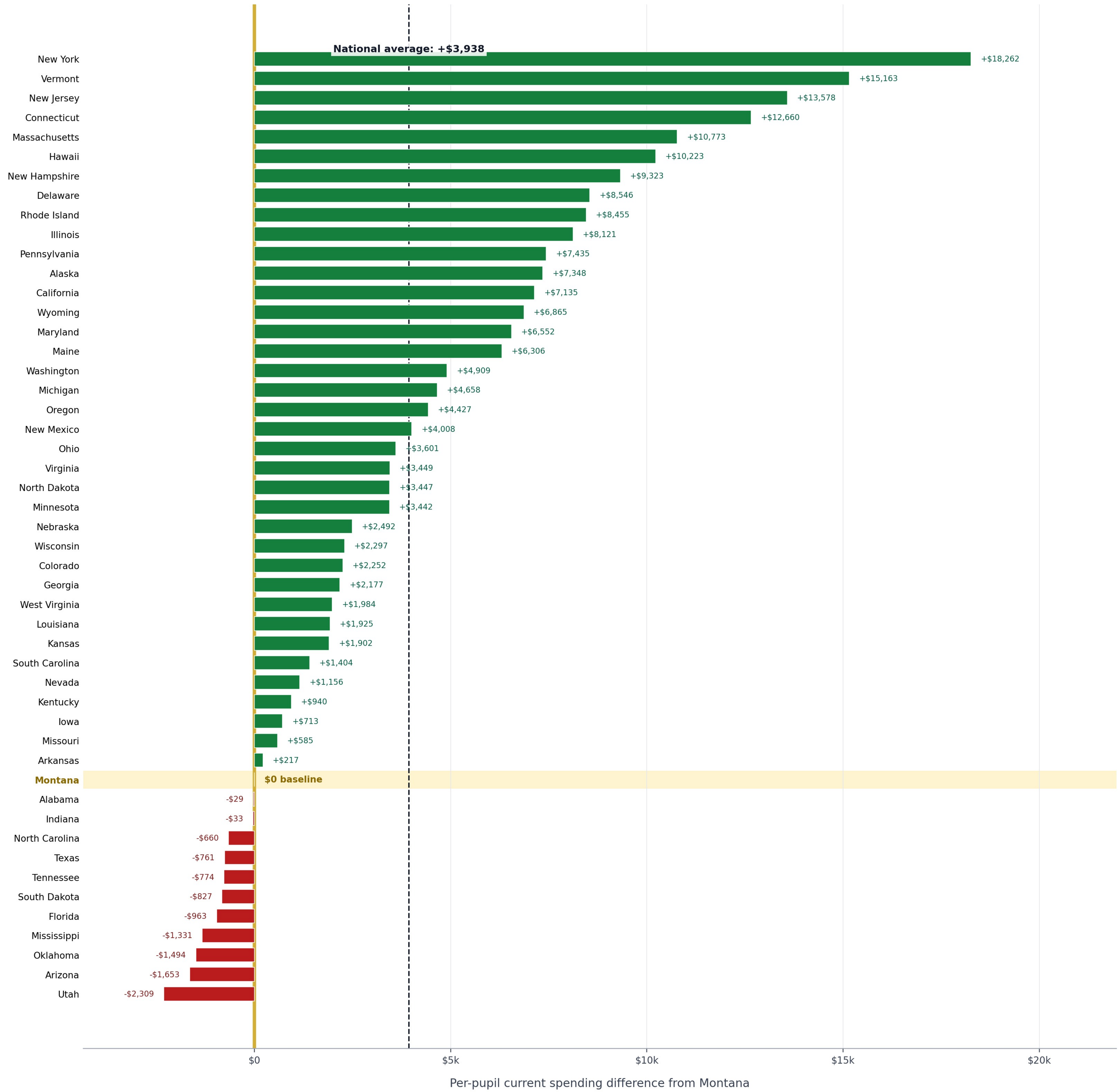
Montana personal income 9FY2024): $68.6 billion (approx.)
Gap to U.S. average: 89¢ per $100 of income (0.0089 per $1)
$68.6 billion x 0.0089 = $610.54 million (rounded)
Funding Gap: $611 MILLION

SOURCE: Table 12, Fiscal Year 2024

For every $100 of personal income generated in Montana, matching the national average would bring in an additional 89¢ -- resulting in $611 million more for Montana's students.

Montana at the Baseline: FY24 Per-Pupil Spending Gap by State

Green states spend more per pupil than Montana. Red states spend less. The gold row and vertical line mark Montana.



Source: FY24 Census Data Rankings Per Pupil.xlsx, Sheet1. Values are differences relative to Montana; District of Columbia excluded from state chart.