



AUGENBLICK,
PALAICH AND
ASSOCIATES

Foundation Formulas and Montana's Funding System

Justin Silverstein and Dr. Amanda Brown

APA Consulting

Agenda

- Review the components of a traditional foundation formula
- Look at the components of Montana's formula and how they relate to a foundation formula
 - Review current formula components
 - Unpack the basic entitlement
 - Unpack the per ANB entitlement

Foundation Formula Components

District Characteristic Adjustments – Might include adjustments for District Size, Necessarily Small Schools, and Regional Cost of Living differences.

Student Characteristic Adjustments – Might include adjustments for Special Education, Economically Disadvantaged, English Language Learners, American Indian, and Student Grade Span Differences.

Foundation Funding – Per Pupil amount representing what is needed for a student with no special needs in a district with no special circumstances. Often the majority of funding in a funding formula.

Determining State and Local Split

Total Formula
Funding is Split
Between Local
and State
Funding Sources

=

Districts Provide
Required Local
Effort, Usually a
Set Mill Rate
Applied to
Commonly
Assessed
Property Values

+

State Provides
the Rest of the
Funding. Lower
Wealth Districts
Receive more
State Aid and
Higher Wealth
Receive Less

Additional Components of State Funding

- Categorical Programs – Dollars provided by the state with no required local match
 - Categorical funding often includes transportation, career and technical education (CTE), special education, and other targeted programs
- Local Additional Levies
 - These can be either fully locally funded or equalized by the state

Economically Disadvantaged

- **How do other states define economically disadvantage/at-risk students ?**
 - Primarily based on family poverty, typically either based on free and/or reduced lunch eligibility (27 states), direct certification/participation in other assistance programs (14 states)
 - Alternatives include student outcomes (Georgia), community/census-based qualification
 - Foster, homeless, migrant, and pregnant youth are examples of additional categories included in addition to income-based qualifications
- **Do states differentiate the funding they provide for at-risk?**
 - Some states provide more than one at-risk weight either based on concentration of students, or having both an income based at-risk weight and an academic-based weight (South Carolina)
- **What is the range of at-risk weights in other states?**
 - Weights range from .01 to over 1.0

Economically Disadvantaged Examples

	North Dakota	Colorado	Kentucky	Maryland
Base Amount	\$11,072	\$8,692	\$4,015	\$9,226
Weight	0.025	0.25	0.22	0.85
Funding Per Pupil	\$277	\$2,173	\$883	\$7,842

English Learners

- **How do other states identify English Learners?**
 - States typically rely on home language surveys, screeners and ongoing language assessments (either WIDA or a state-specific assessment)
- **Do states differentiate the funding they provide for English Learners?**
 - 12 states use more than one EL weight, differentiated by either student language acquisition level or years classified, grade level, if EL students are also at-risk (New Jersey provides a lower EL weight if also receiving at-risk weight), or the concentration of EL students
 - Providing additional funding for Newcomer or SLIFE students is an emerging consideration
 - Two states limit the number of years a student can be classified as ELs (Colorado, Iowa)
- **What is the range of EL weights in other states?**
 - 0.07 to 1.49

English Learner Examples

	North Dakota*	Colorado	Kentucky	Maryland
Base Amount	\$11,072	\$8,692	\$4,015	\$9,226
EL Weight	0.2	0.25	0.096	0.98
EL Funding Per Pupil	\$2,214	\$2,173	\$385	\$9,041

* North Dakota uses 3 levels of funding, .2 represents the second least proficient students

Special Education

- **Do states with funding formulas include special education in their weighted student funding formula?**
 - More variability, but about two-thirds of states with student-based formulas fund special education via weights
- **How do other states categorize students with disabilities/IEPs for funding purposes?**
 - Majority of states provide differentiated funding (2-14 different categories), while others group all students with disabilities into one category for special education funding
 - States differentiate students by disability category; need level, intensity, time in classroom or hours of service, cost, or in-state vs. out-of-state placement
- **Do states fund based on actual special education student counts, or do they use a census-based approach?**
 - Most states fund on actual student counts, sometimes using a cap
- **What is the range of special education weights in other states?**
 - Wide range of 0.003 to nearly 8.0, due to disaggregating by individual disability categories

Special Education Examples

	North Dakota*	Colorado^	Kentucky**	Maryland
Base Amount	\$11,072	\$8,692	\$4,015	\$9,226
EL Weight	0.082	0.25	1.17	1.03
EL Funding Per Pupil	\$908	\$2,173	\$4,698	\$9,503
* North Dakota weight applied to all students				
^ Colorado provides additional per special education pupil categorical funding				
** Kentucky uses three weights, 1.17 is for moderate incident disabilities				

Grade Span Adjustments

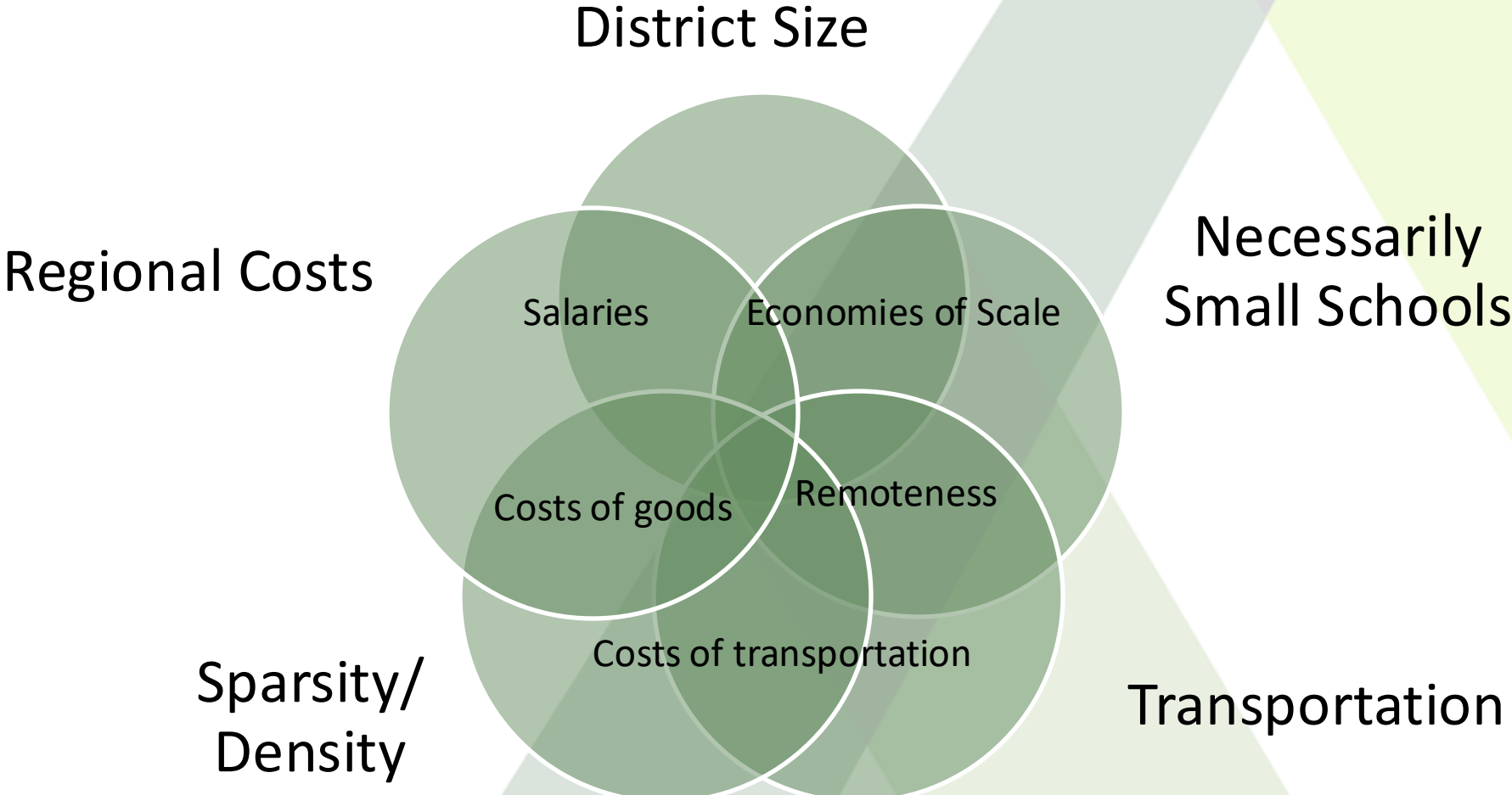
- **18 states provide grade span adjustments**
 - There is variation in both how and which grades are adjusted in state formulas
- **12 states provides weights**, 3 (including Montana) use differentiated bases, and three have other approaches
- At least 8 states provide higher funding for Kindergarten, with many providing additional funding for first and second grade also
- The next most likely additional funding is for high school
- Funding for 4-6 grade is often the lowest funding amount

Career and Technical Education Funding

Most states provide some dedicated state funding for CTE, recognizing that CTE is generally a more expensive program to operate:

- 19 states include CTE in the state's foundation formula
- 16 states (including Montana) have CTE categorical funding programs
 - Several states provide categorical funding for specific CTE purposes in addition to foundation formula funding
- 7 states operate reimbursement models, based on actual program costs
- 7 states provide resource-based funding, to provide a minimum level of staffing or programming to all districts, or block grants
- Based on the state's CTE delivery model, funding is provided to LEAs, CTE Centers, or intermediary agencies

Overlapping District Characteristic Adjustments

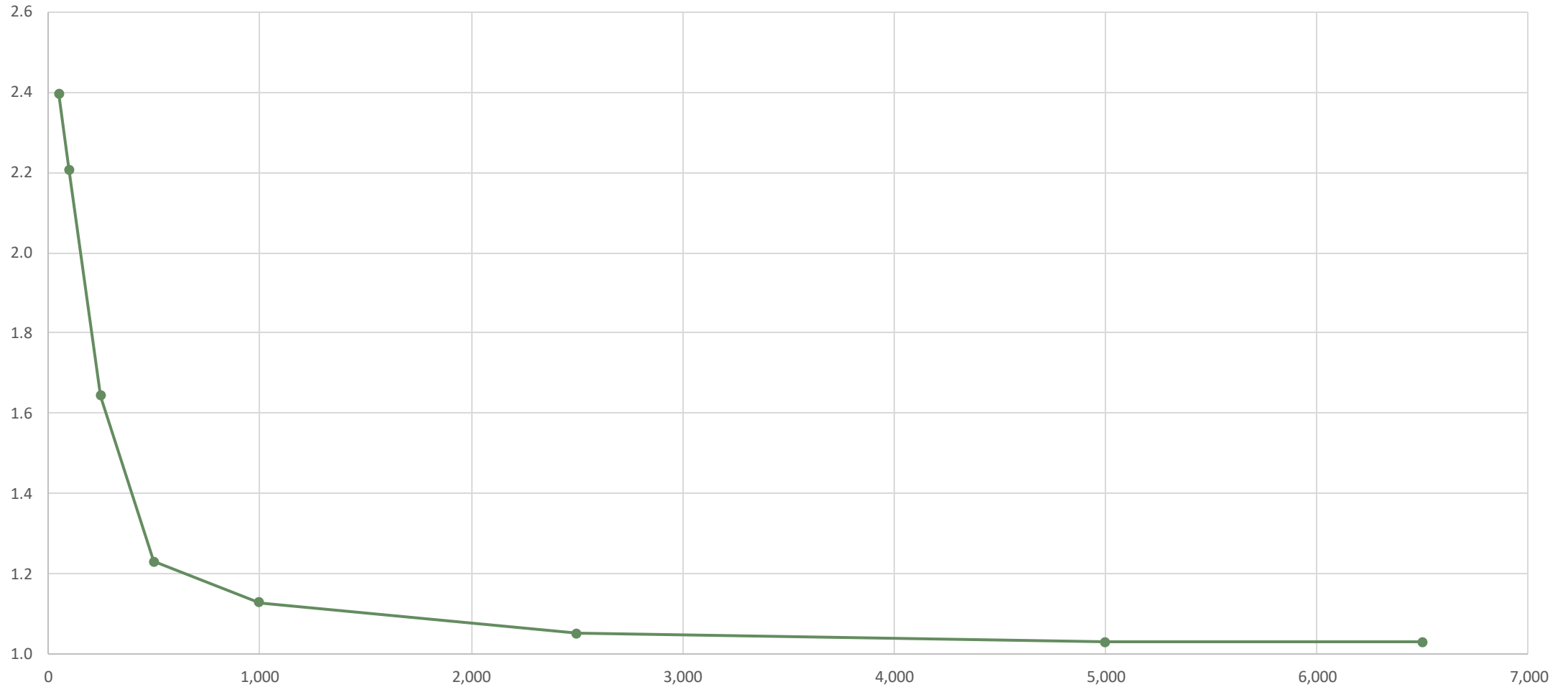


District Size

24 states adjust for district size, with wide variation in the approach

- Colorado utilizes a classic J-curve providing much higher funding for its very smallest districts, with any district under 6,500 students receiving an adjustment
- Districts like Wyoming and South Dakota utilizing staffing adjustments
 - Wyoming provides minimum staffing for districts below 243 students
 - South Dakota provides lower student teacher ratios for smaller districts

Colorado Size Adjustment



Necessarily Small Schools

11 states adjust for schools that are small, primarily due to geographic isolation

- Key decision is if the funding is for all small schools or those that are necessarily small
- North Carolina provides funding for schools with less than 110 students in geographically isolated settings
- Wyoming provides minimum staff for schools of at least 50 students, prorated below 50 to ensure at least two staff FTE
- Colorado provides categorical funding for small attendance centers

Sparsity/Density

20 states consider sparsity/density for additional funding

- Density adjustments are usually in place of a district or school size adjustment, or a requirement to receive size funding
- Some provide additional funding if both small and sparse (in addition to size adjustment)
- Definitions are usually based upon students per square mile
- South Dakota requires a school be at least 15 miles from a neighboring districts
 - Can receive up to 1.75 times per student equivalent

Regional Cost Adjustment Approaches

15 states adjust for regional cost differences (most often using a comparable wage index, or CWI, approach)

- There are three primary types of indices that can be used to make a regional, or geographic, cost adjustment:
 - **Cost-of-Living Index (COL):** Usually created by determining the cost for a given set of goods — often termed a “market basket” — in different locations
 - **Hedonic Wage Index (HWI):** Uses regression analysis to predict wages by dividing the variation in *actual* wages across districts into spending that is and is not within control of the districts
 - **Comparable Wage Index (CWI):** Uses regional differences in non-educator wages based on the recognition that if wages in comparable professions are higher in a given region, then teacher wages will also have to be higher

Regional Cost Adjustments in Other States

	Index Name	Index Type
Alaska	District Cost Factor	Hedonic Wage Index
Colorado	Cost of Living Factor	Cost of Living Index
Florida	District Cost Differential	Comparable Wage Index
Kansas	Cost-of-Living Weighting	Cost of Living Index*
Illinois	Regionalization Factor	Comparable Wage Index
Maine	Regional Labor Market Area Adjustment	Hedonic Wage Index
Maryland	Comparable Wage Index	Comparable Wage Index
Massachusetts	Wage Adjustment Factor	Comparable Wage Index
Missouri	Dollar Value Modifier	Comparable Wage Index
New Jersey	Geographic Cost Adjustment	Comparable Wage Index
New York	Regional Cost Index	Comparable Wage Index
Virginia	Cost of Competing Adjustment	Comparable Wage Index (Adjustment)
Wyoming	Regional Cost Adjustment	Cost of Living Index, Hedonic Wage Index (uses best of)

* grant only for high-cost districts that apply



MONTANA'S FUNDING SYSTEM

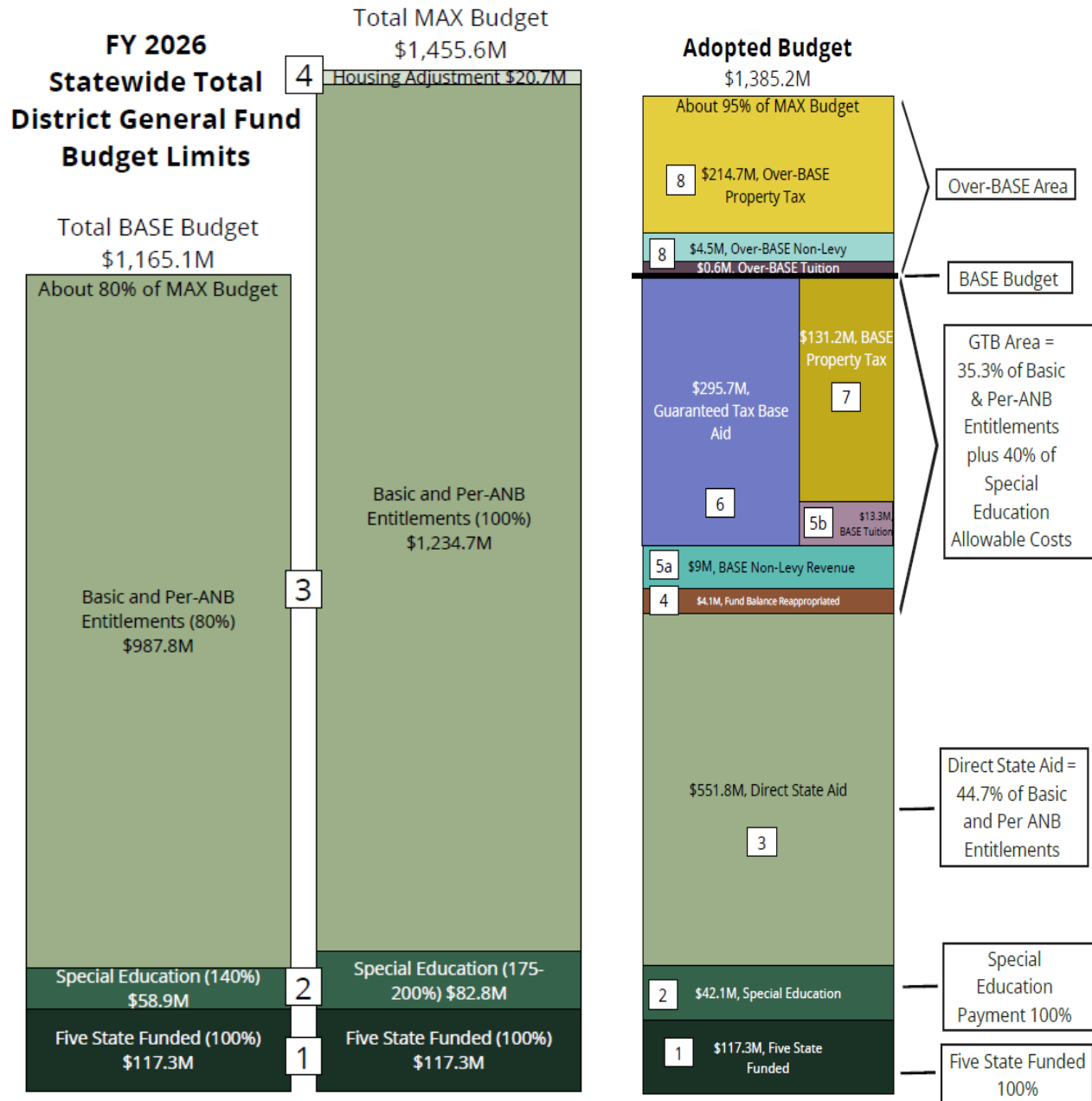
The Funding Formula

There are two parts to the school funding formula:

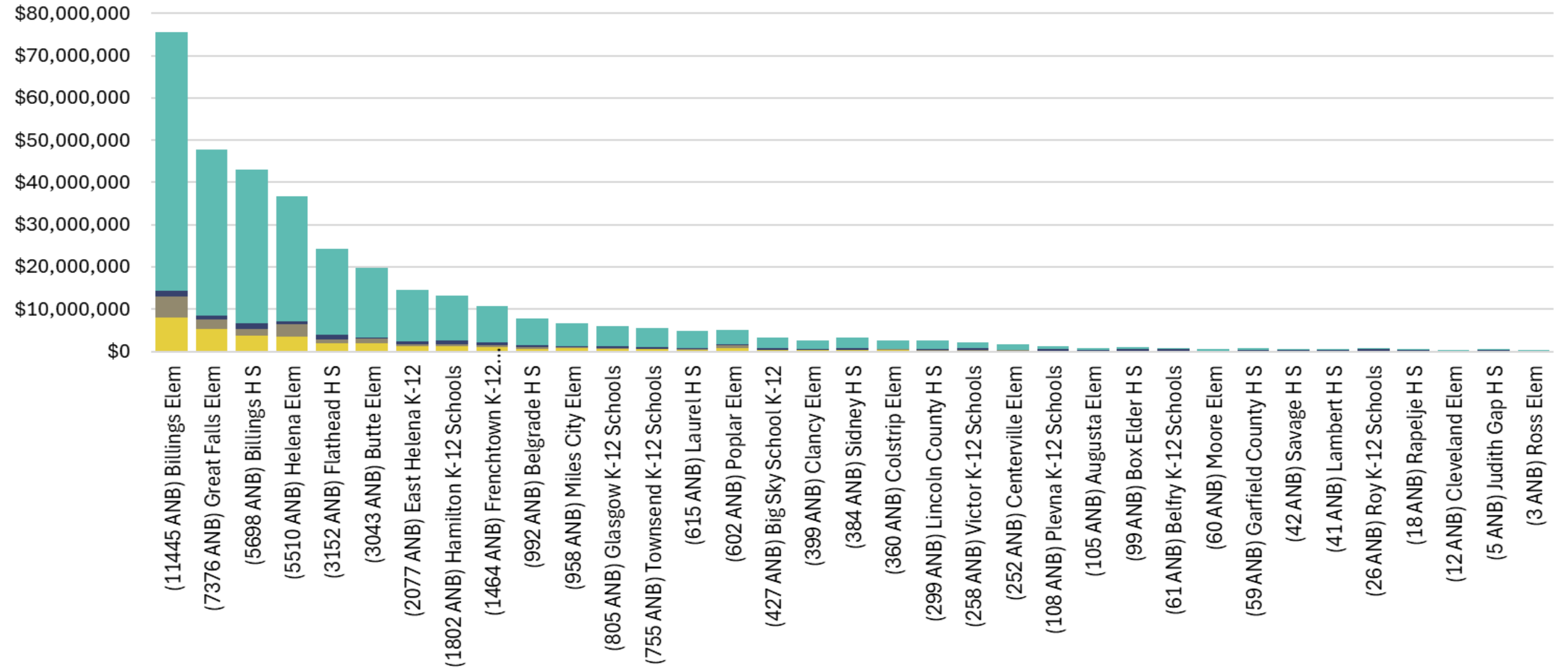
We have a formula to establish a district's general fund budget limits (left) and a formula for how a district's adopted budget is funded (right).

➤ See the [School District General Fund Interactive Tool](#) to look at these district general fund charts by school district.

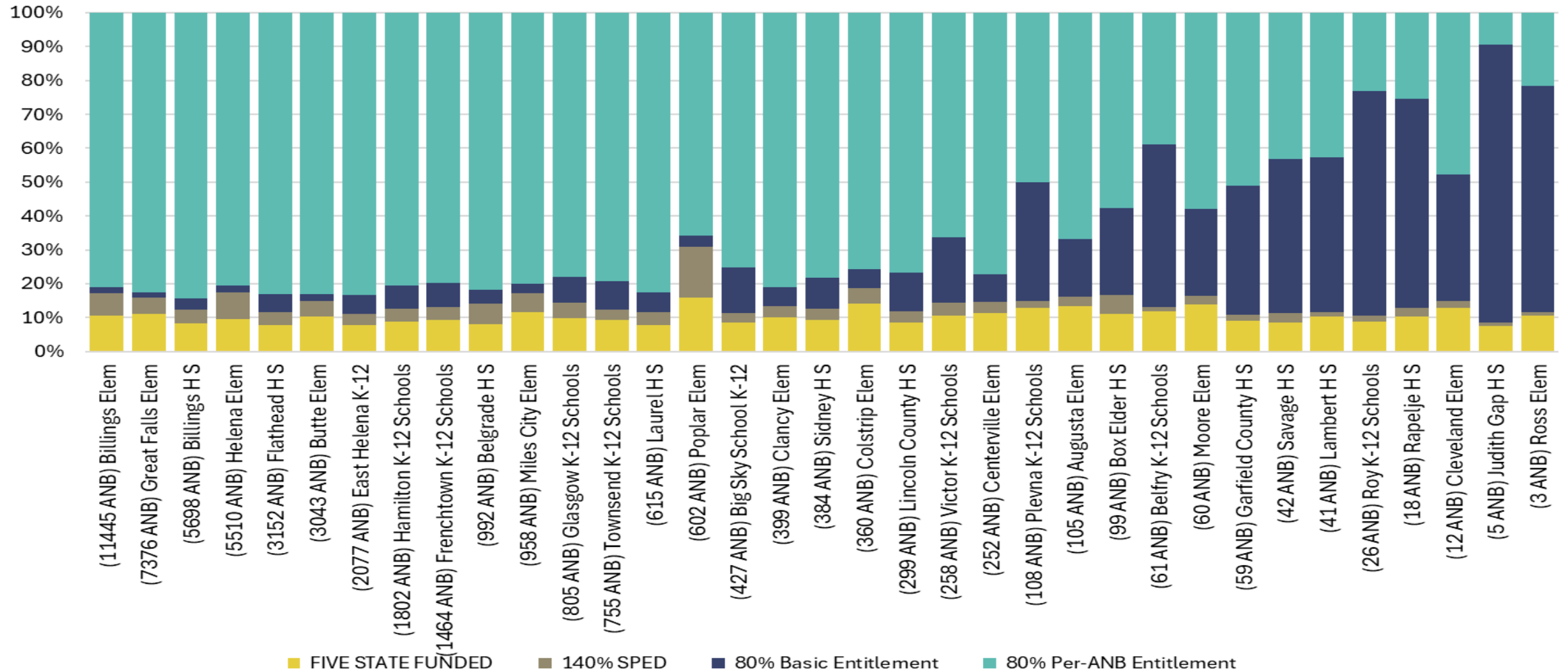
4. **Housing Adjustment (new for FY 2026)** – HB 252 (2025) allowed districts in or near counties with median housing costs higher than the statewide median to increase the district's MAX budget calculation by certain percentages
3. **Per-Average Number Belonging (ANB) Entitlement** - A per-ANB dollar amount driven by the greater of the prior year's enrollment or a 3-year average. ANB is a proxy for enrollment
- Basic Entitlement** – A set amount per district based on whether it is an elementary school district, middle school district, or high school district. Districts with higher enrollment are eligible for additional basic entitlement "increments"
2. **Special Education Payment** – A per-ANB payment regardless of the count of special education students. Portions of the special education appropriation go to cooperatives and to reimbursements for high-cost students
1. **Five Fully State-Funded Components**
 - Quality Educator and Qualified Staff Payment – A per-FTE payment for teachers, other licensed professionals, and designated staff. **New for FY 2026:** the payment is doubled when districts meet teacher salary benchmarks
 - At Risk Payment – A payment to schools to address at-risk students; or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation
 - Indian Education For All Payment – A per-ANB payment to fund the state's constitutional commitment to the preservation of American Indian cultural integrity
 - American Indian Achievement Gap Payment – A per-American Indian student payment for the purpose of closing the performance gap that exists between American Indian and non-Indian students
 - Data for Achievement – A per-ANB payment to pay for costs associated with student data systems



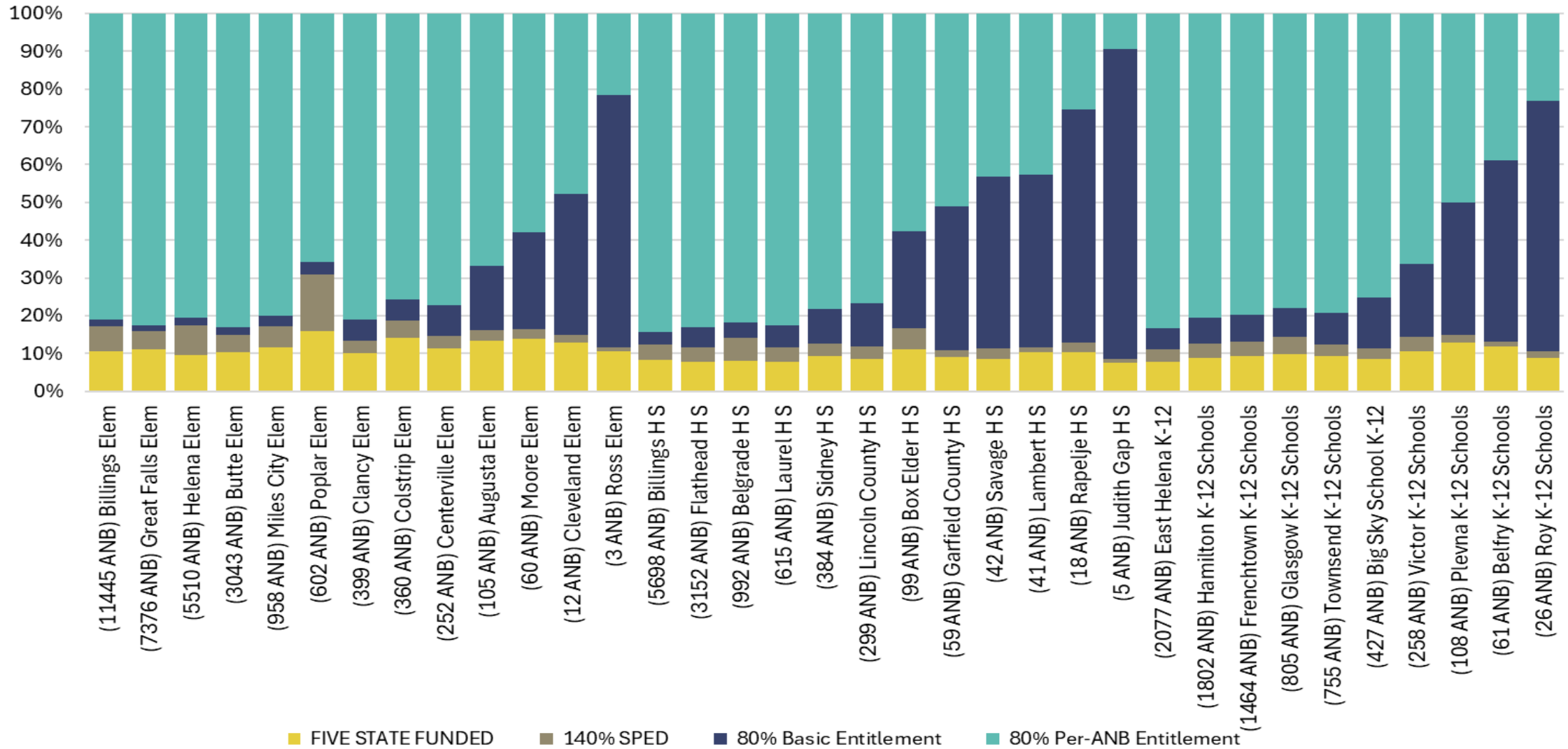
Total Funding by Size



Funding by Category



Funding by Category



Montana Formula Review

- Look at each of the 4 components in more detail
 - Will identify how the component is addressed in a more traditional foundation formula
 - Will identify the total funding currently derived from each component
- Important to remember that the figures most frequently shown for Basic Entitlements and per ANB are the MAX figures and BASE funding is only 80% of these amounts
 - Following slides attempt to show both figures when practical

1. Five State-Funded Components

- Includes five separate components that range from per student to per staff FTE funding amounts, they include:
 - Quality Educator Payment
 - At-Risk Payment
 - Indian Education for All Payment
 - American Indian Achievement Gap Payment
 - Data for Achievement

1. Five State-Funded: Quality Educator & Qualified Staff Payment

Montana Approach

- Provides \$3,783 per FTE in 2025-26 and includes the new STARS Act \$50M
 - Each district's QE payment is doubled if they meet the salary benchmarks: new teacher minimum and a compression metric
- Total funding in 2025-26 is \$98.4M
- Functions like a categorical program

Traditional Foundation Formula

- Targeted staff funding is often done through categorical programs and are not related to a traditional foundation formula
- Examples of other states with categorical funding for teacher salaries include Iowa, Texas, and Tennessee

1. Five State-Funded: At-Risk Payment

Montana Approach

- Funding is based on the same formula used for Title 1
- Districts receive the same proportion of state dollars as they do total Title 1 dollars
- Funding is all state, so effectively a categorical
- Total funding in 2025-26 was \$6.4M

Traditional Foundation Formula

- Funding is provided through a student weight
 - Funding is part of the formula so has a state and local share
- Students are identified for funding through factors such as eligibility for FRPL or Direct Certification
 - States are beginning to change factors due to Community Eligibility Program

1. Five State-Funded: Indian Education for All Payment

Montana Approach

- Per ANB funding amount, \$25.37 in 2025-26
- Funding is a categorical
 - Districts must file an annual report on the use of these funds related to American Indian studies programs
- Total funding in 2025-26 was \$3.8M

Traditional Foundation Formula

- Targeted funding such as this would be through a state categorical with requirements to spend in a certain way
- It would not be part of a traditional formula
- Examples of other states that provide at least some limited/targeted funding for Indian Education: Minnesota, New Mexico, Oregon and Washington

1. Five State-Funded: American Indian Achievement Gap Payment

Montana Approach

- Payment is per American Indian student enrolled in a district
- Funding is a fixed amount per American Indian Student, \$249 in 2025-26
- OPI tracks changes in performance outcomes for American Indian students and is required to report to the governor and legislature
- Funding acts as a categorical without specific dollar tracking
- Total funding in 2025-26 was \$5.0M

Traditional Foundation Formula

- In a traditional foundation formula, the funding might be a weighted amount, especially as the dollars are not tracked
- A weight would also mean the funding would increase as the base funding increases
- Minnesota similarly provides per pupil funding, not a weight

2. Special Education Payment

Montana Approach

- Calculation begins with \$311.63 per ANB
 - Funding is not associated specifically with the number of special education students. This type of funding is considered census-based
- 25% of total funding is for High Cost Students
- 5% for Co-Ops
- Total Funding around \$40M

Traditional Foundation Formula

- States that include special education in the formula generally fund specific special education students
- Students are funded with a single weight or multiple weights, often differentiated by disability
- Several states fund special education through categorical funding

3. Intro Slide to Basic Entitlement

Montana

- The Basic Entitlement is a minimum block grant amount provided to each budget unit in the state
- The funding is lowest for elementary budget units and highest for high school units
- Funding increases for every set of additional students identified in law

Other States

- A few states have minimum funding levels, such as Wyoming
- Colorado provides funding for a minimum of 60 students
- States may provide grade span adjustments, most commonly within a weighted formula

3. Basic Entitlements

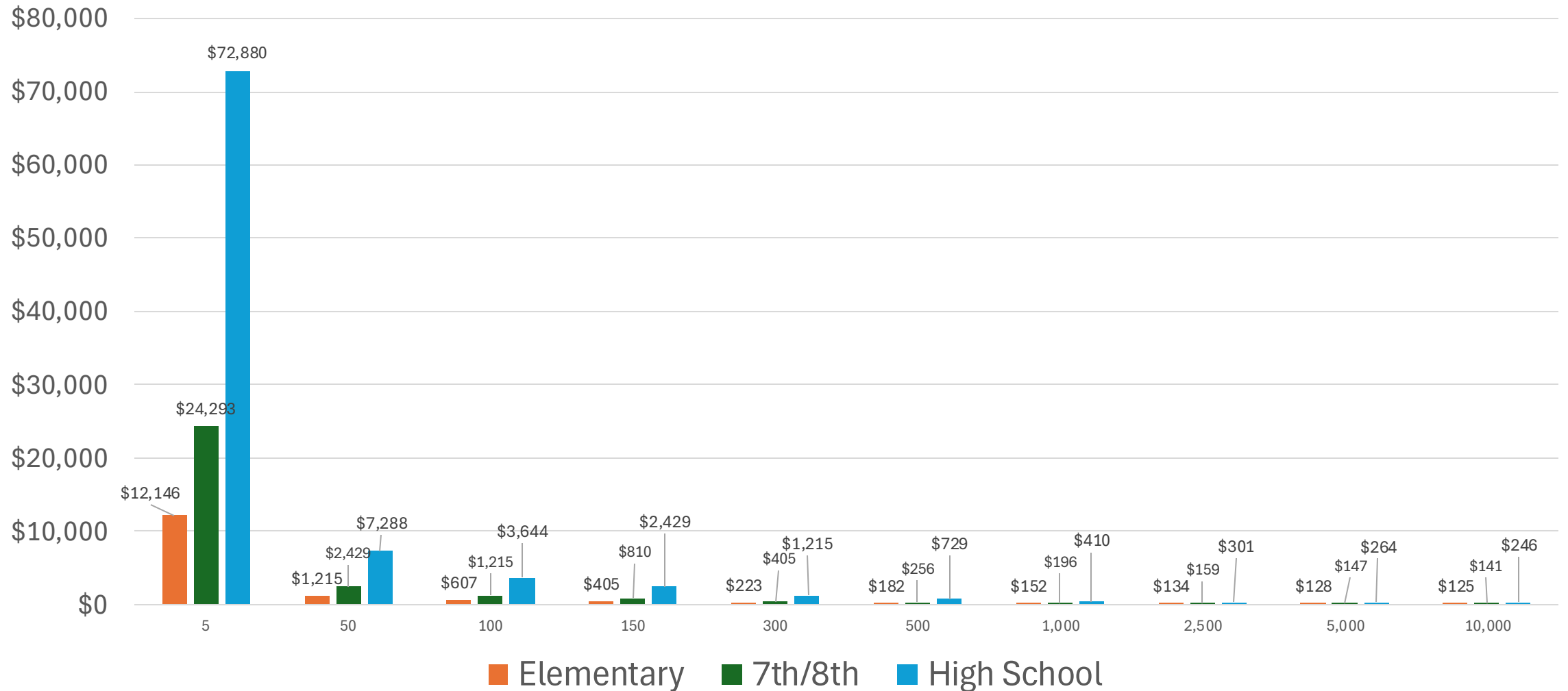
Block grant funding amount for each budget unit differentiated by grade level

Elementary \$60,732
(\$48,586) in 2025-26 for 250 and below ANB

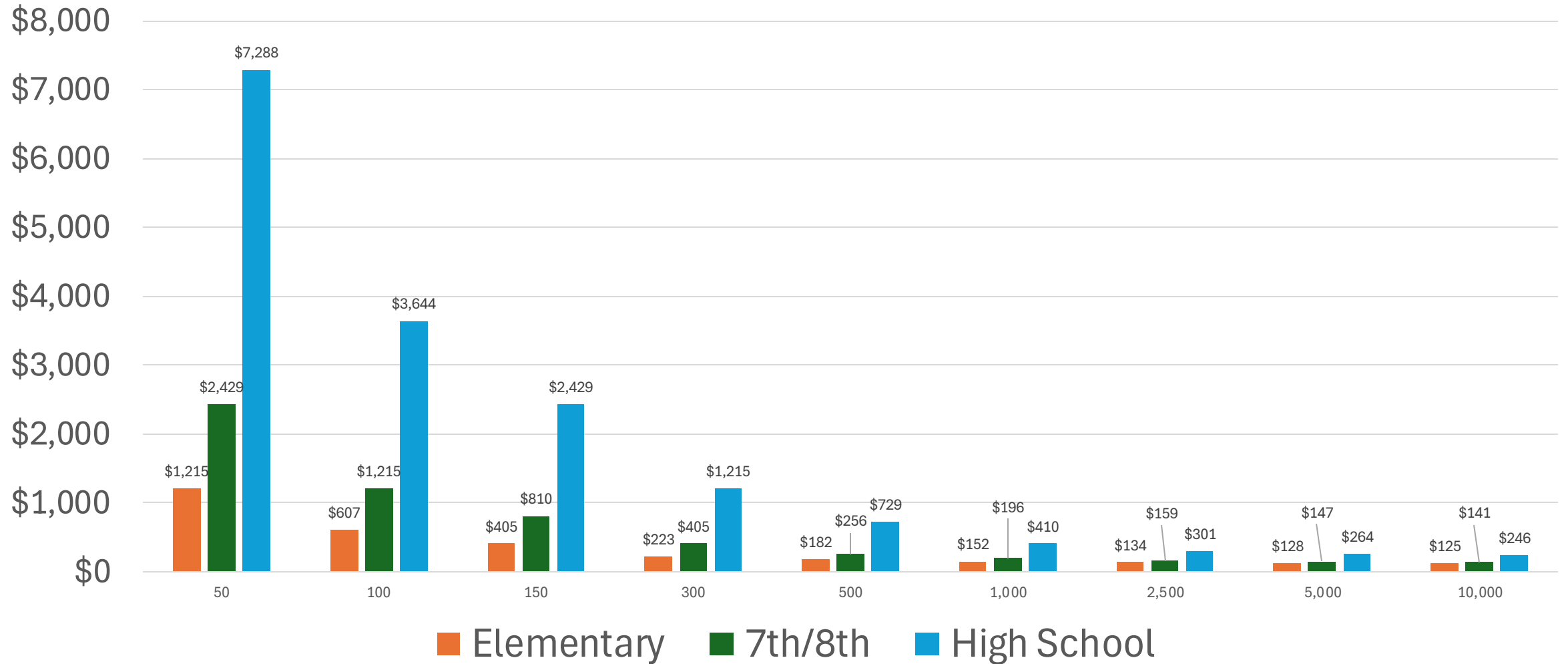
7th and 8th \$121,110
(\$96,888) in 2025-26 for 450 and below ANB

High School \$364,401
(\$291,521) in 2025-26 for 800 and below ANB

3. Basic Entitlements per ANB (MAX)



3. Basic Entitlements per ANB above 50 ANB



4. Per ANB Entitlement

Montana

- Per ANB Entitlement is component most closely aligned to a foundation amount
- Per ANB differs for elementary and high school
- Per ANB is decreased, by the decrement, as a district grows to a certain floor funding amount

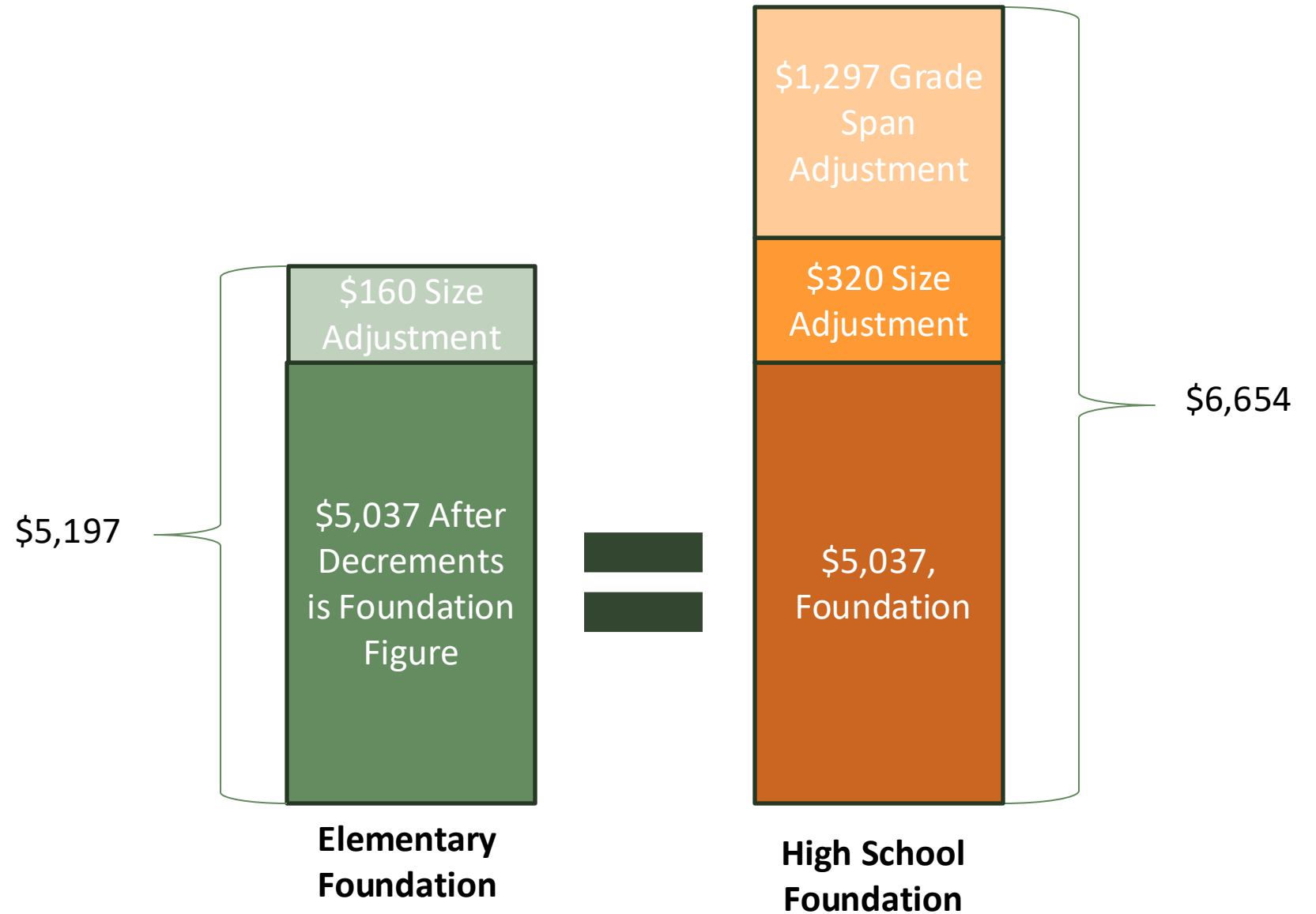
Other States

- Most states use a single foundation amount
- States often provide weights for grade spans within the foundation formula
- States also provide district size adjustment funding

4. Per ANB Entitlement

- Formula provides two different per ANB figures, one for Elementary ANB (\$6,496/\$5,197) and one for High School ANB (\$8,317/\$6,654).
 - These figures are reduced for each ANB up to 1,000 and 800 ANB respectively by \$.20 and \$.50
- What can be considered the **foundation figure** in Montana's funding formula is the lowest amount of per ANB funding possible at the BASE level or the Elementary per ANB with all decrements taken
 - $\$5,197 - (1,000 \text{ ANB times } \$.16 = \$160) = \mathbf{\$5,037}$ is the **foundation figure**

4. Per ANB: Foundation Figure and Imputed Adjustments



4. Per ANB: Total Funding

- FY26 total per ANB funding is \$1,114.4 million or \$7,186 per ANB
- At \$6,296, total base funding would be \$781.2million
- The difference can be attributed to grade level cost, district size differences, and small school adjustments discussed later



QUESTIONS?