MONTANA LEGISLATIVE BRANCH

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Director
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DATE: June 16, 2026

TO: School Funding Interim Commission

FROM: Kris Wilkinson, Senior Fiscal Analyst

RE: School District Facilities

The purpose of this memorandum is to provide the School Funding Interim Commission information on the following:

- Background of 2008 school facility survey results
- Review of funding sources for school facilities
- Methods used for examining budgets for school facilities
- Facility inventory update
- Next steps

2008 FACILITY SURVEY

During the December 2005 Special Session, the Montana Legislature passed House Bill 1, which provided a $23.0 million one-time-only appropriation for immediate K-12 school maintenance and infrastructure needs along with an additional $2.5 million to complete a statewide school facility condition and energy audit (facility survey). The facility survey evaluated every school district building in Montana and was conducted between January and April 2008. It examined 2,195 buildings with total square footage of 31,444,547 square feet. The resulting facility condition report outlined the conditions of school facilities, energy use, educational characteristics, technology infrastructure, and final recommendations.

Based on the 2008 facility survey, the 2009 Legislature addressed school facility funding by:

1. Establishing the school facility and technology account and funding the account through timber harvest revenues, mineral royalties, and power site rental payments.
2. Establishing the Quality School Facility Grant Program to provide for the distribution of the school facility and technology funding.
3. Statutorily appropriating $1.0 million a year from the account for grants for school technology purposes.
4. Appropriating $12.0 million to the Department of Commerce to award Quality School Facility Grants Program grants, matching planning grants, and emergency grants to public school districts in the 2011 biennium. This provided a multi-year funding framework for school districts to apply for competitive grants to fund projects addressing major deferred maintenance, improving energy efficiency in school facilities, critical infrastructure in school districts, emergency facility needs, and technological improvements

Since FY 2009, the legislature has amended statutes regarding school facility funding, including elimination of the Quality School Facility Grant Program and replacement with a program that provides a base amount of major maintenance aid funding for all school districts plus a component based on enrollment.

FUNDING SOURCES FOR SCHOOL FACILITIES

As identified by the 2015-16 School Funding Interim Commission, there are three tiers related to facility needs of Montana school districts including:

1. Tier 1 – Operation and maintenance (O&M) – these are costs associated with keeping the doors open such as utilities, cleaning, groundskeeping, preventive maintenance and minor repairs, and building security. These costs are mainly funded through the district general fund, however the impact aid fund contributed about 10% of the support for operations and maintenance between FY 2020 and FY 2025
2. Tier 2 – Major maintenance – larger periodic investments for items like roof replacements or boilers, replacing windows, or resurfacing floors. These costs are principally funded through the building reserve fund, the building fund, and the impact aid fund
3. Tier 3 – New construction including additions and major renovations. School districts have, for the most part, supported new construction through bond levies passed by their citizens. Montana also provides debt service assistance for poorer districts (those with a lower tax base) to assist the districts in paying the cost of the bonds

Between FY 2021 to FY 2024, local school districts also received federal Elementary and Secondary School Emergency Relief (ESSER) funds through three federal stimulus bills, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020), the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (2020), and the American Rescue Plan (2021), totaling $643.1 million. The funds were to address urgent education and safety needs of public schools during the COVID-19 pandemic. Some school districts used the funds to address major maintenance in school districts. Local school districts used $166.2 million of the ESSER funds for property or equipment acquisition and $11.6 million for purchased property services.

METHODOLOGIES FOR EXAMINING SCHOOL FACILITY BUDGETS

In general, facility management methodologies for establishing capital facility budgets set target levels of funding for annual operations and maintenance (O&M), major maintenance and repairs, and facility renewal at a percentage of the current replacement value (CRV) of an organization's facilities inventory. However, while these methodologies are similar, the target percentages for these categories of expenditure vary between facility management organizations. To illustrate those different approaches this memorandum includes target levels recommended by organizations representing university and college facility managers, and those recommended by an organization representing K-12 facility managers.

The Society for College and University Planning, the National Association of College and University Business Officers, the Association of Physical Plant Administrators of Universities and Colleges, and Coopers and Lybrand compiled the Financial Planning Guidelines for Facility Renewal and Adaption in 1989. The guidelines provide a framework for long-term financial planning for institutional physical assets, recommending as follows:

- Ongoing routine maintenance (O&M) in the range of 1.0% to 1.5% of CRV
- Major repairs and replacement of building systems in the range of 0.5% to 1.0% of CRV
- Renovations and remodeling of buildings for aging, fire and life safety, energy conservation, and accessibility in the range of 0.5% to 1.5% of CRV

The National Center on School Infrastructure recommends using a stewardship key performance indicator (SKPI) to estimate what school districts should spend annually on tier 2 major maintenance and tier 3 new construction of school buildings. The SKPI uses three data points:

1. Gross square footage (GSF) of school buildings as the size of the buildings is an indicator of the costs associated with utilities, maintenance, repairs, groundskeeping, and construction
2. Current replacement value (CRV) or the costs of replacing the district's facilities built to current standards such as health, safety, security, energy, accessibility, and educational requirements
3. Expected lifespan measured by the annual depreciation rate. This is considered an indication of the useful life of the school building or the components that make up the building. What are the expected lifespans of the roofs or boilers? The expected lifespan is measured as a percentage, a depreciation multiplier of 1.0% corresponds to a 100-year expected lifespan while a 4.0% depreciation multiplier indicates a 25-year expected lifespan

The National Center on School Infrastructure recommends providing:
- 3.0% of CRV for annual maintenance also referred to as operations and maintenance
- 1.0% - 2.0% of CRV for periodic renewals such as replacing roofs, windows, doors, boilers, etc.
- 0.5% - 1.0% of CRV for as needed alterations including adding space for smaller classes, integrating technology, or improving safety and security
- 0.5% - 1.0% of CRV for systematic reduction of deferred maintenance reducing maintenance backlog including renewals of buildings or alterations

Due to this general agreement on methodology for assessing facility upkeep and maintenance ("X"% of CRV) but variation in target percentage levels (what is "X"?), the results of the LFD analysis of spending in the various categories will be graphically displayed to provide information on the levels of funding, both local and state, used to fund major maintenance and new construction.

Updating Facility Survey Data

The Legislative Fiscal Division (LFD) is currently in the process of updating the 2008 inventory of K-12 school facilities throughout the state. This update is intended to add new facilities or additions, remove facilities taken out of service, and verify 2008 inventory information including age of construction, gross square footages, and facility type.

The first step of this process is complete, in which the LFD used the 2008 facility survey as a baseline and identified new facilities or additions with information on school facilities provided by the Montana Schools Property and Liability Insurance Plan and the Montana Schools Group Insurance Authority. The results of this work suggests the total GSF of school district facilities has increased by approximately $4.2 million square feet, subject to verification.

The second step of this process, verification of this update with school districts, is currently underway. A link to the current inventory of each school district's facilities was shared with school superintendents and district clerks, along with a request that they review the information and update or correct it as necessary. Since it was sent on May 22 over 40 schools have verified or corrected the information on their school facilities and a number of schools are currently working on the information.

Next Steps

Once school districts complete their review of school district facility listings, the LFD will use the information to examine the levels of spending for school facilities as a percentage of CRV. CRV will be determined based on the total verified square footage of school facilities in Montana and an estimated cost per square foot of replacing the buildings.

There is no statewide data on the cost of new school construction in Montana. The LFD is in the process of researching national and regional construction data sources for a range of established CRV values and will evaluate capital expenditures over that range. If available, construction costs related to recent projects constructed within the state will be included for comparison.

In addition, next steps will include discussion with a sampling of school districts on the method they use to record their expenditures, and associated funding sources, for major maintenance and new construction. This will help the LFD in the process of separating expenditures between Tier 1, 2, and 3 categories. If this separation is not possible, the analysis may require aggregating multiple tiers together to maintain output accuracy.

The LFD anticipates providing an initial analysis of FY 2020-2024 data for the July meeting of the School Funding Interim Committee.