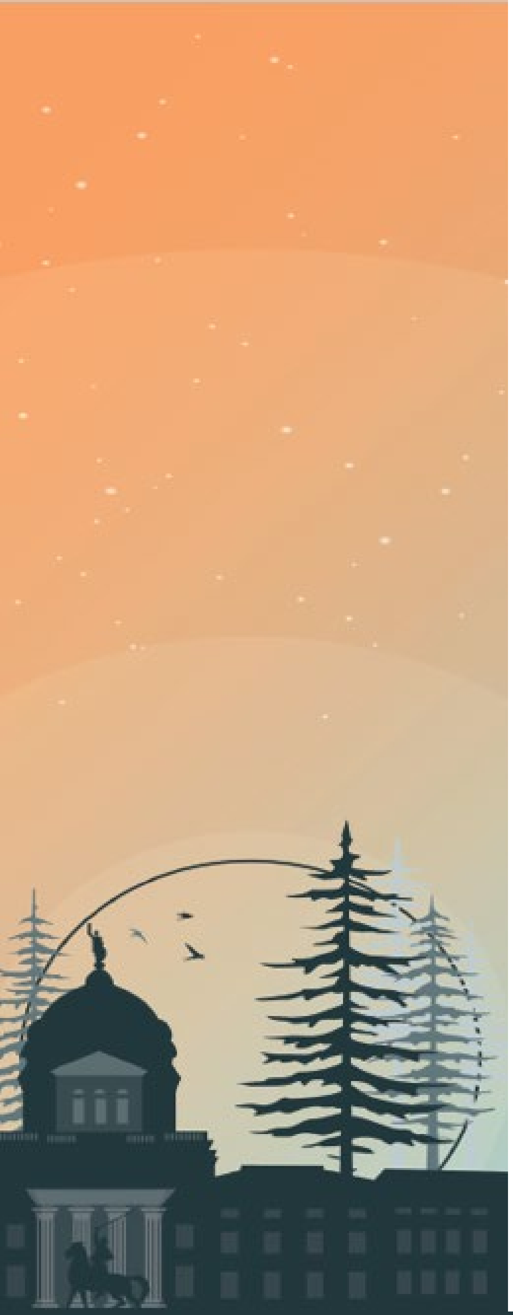


Findings and Recommendations Work Session

School Funding Interim Commission

July 20th and 21st, 2026

Prepared by

Pad McCracken, LSD

Julia Pattin, LFD

MONTANA LEGISLATURE

We're done with school funding snacks and meals….it's time to place your order and move on to dessert:

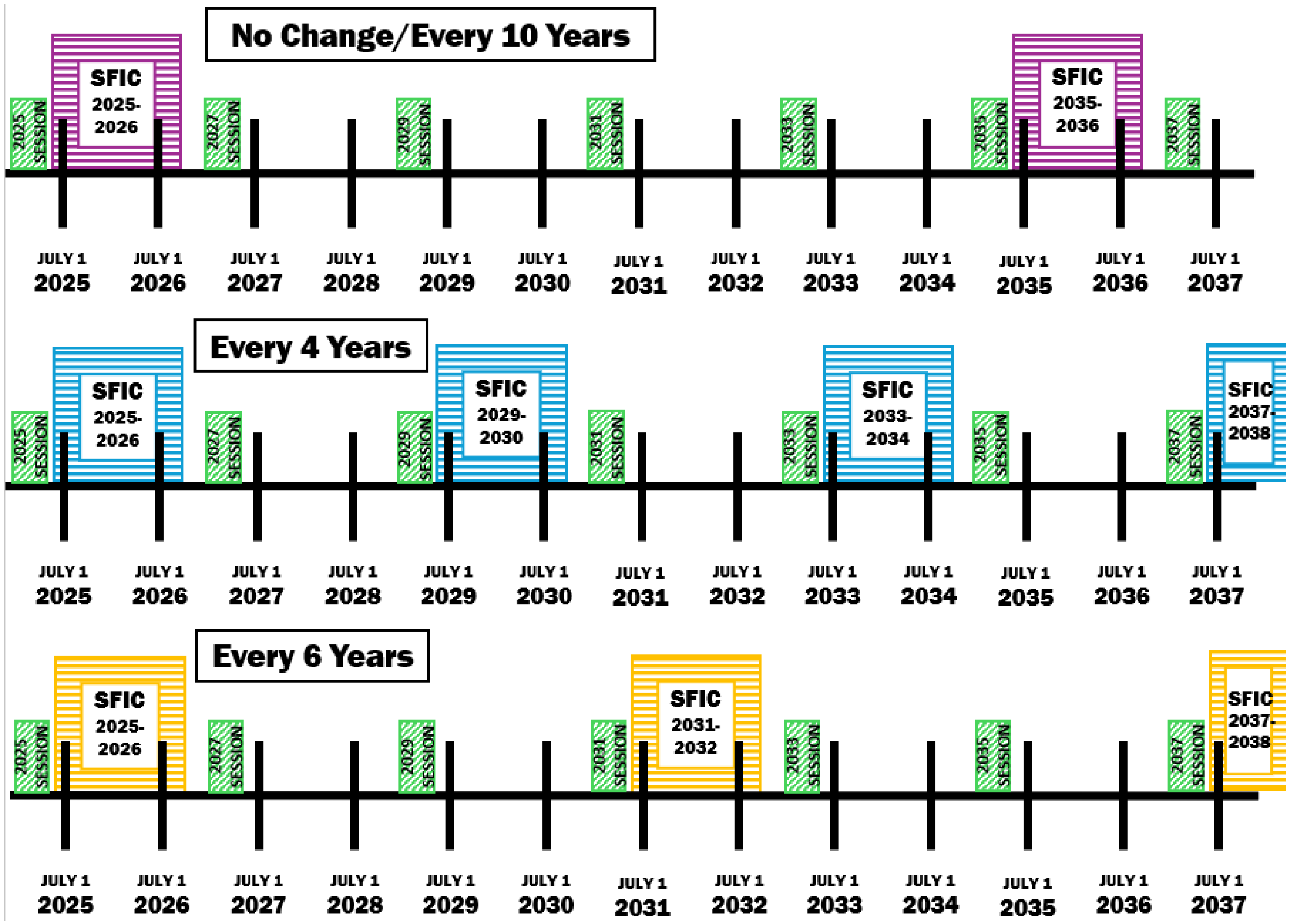
A work session on possible findings and recommendations from the work of the School Funding Commission!

General SFIC

General SFIC

Possible finding:
The SFIC needs to be restructured to meet more frequently.

Possible recommendations:
Bill draft *PD 08 - SFIC* to meet every 4/6/other # of years instead of every 10 years.

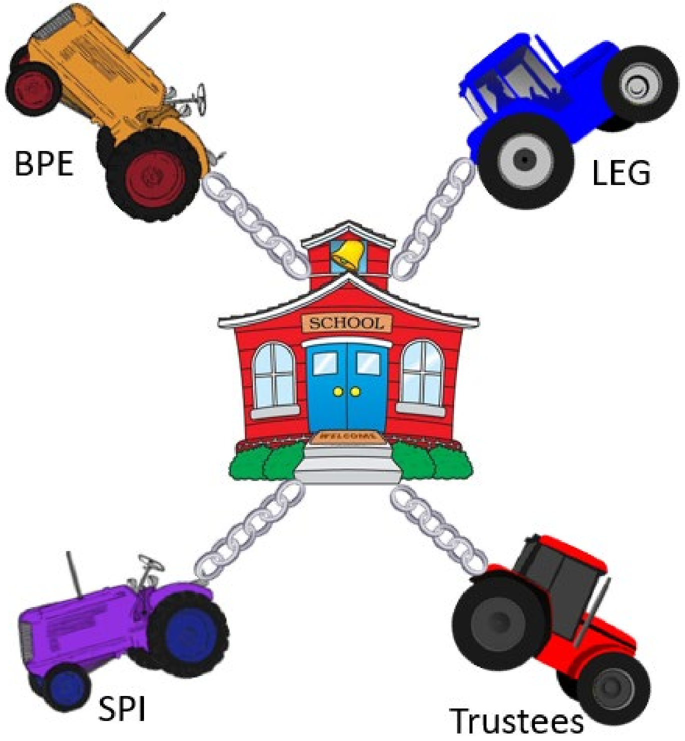


General SFIC

Possible finding:
The Phase I/Constitutional Players work needs to be continued, but not via the SFIC, and instead through ongoing interagency collaboration.

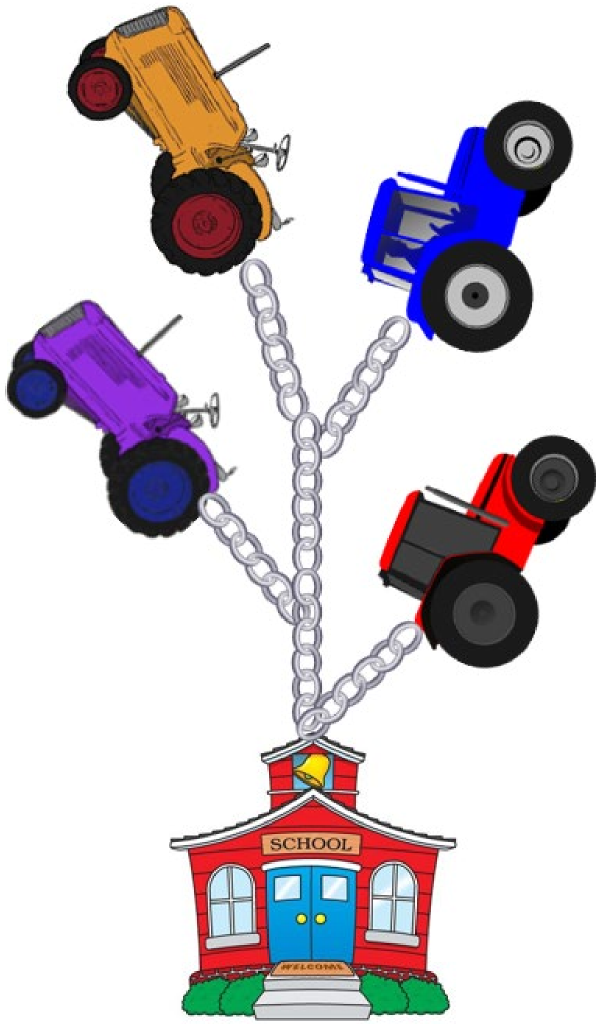
Possible recommendations:
Bill draft to require EDIC and EIBC to meet jointly and convene the “Constitutional Players” at least once each calendar year of the interim. *PD 10 - MEET*

With four Constitutional “drivers” of K-12 education, which question is more important:



Who’s driving???

Or…



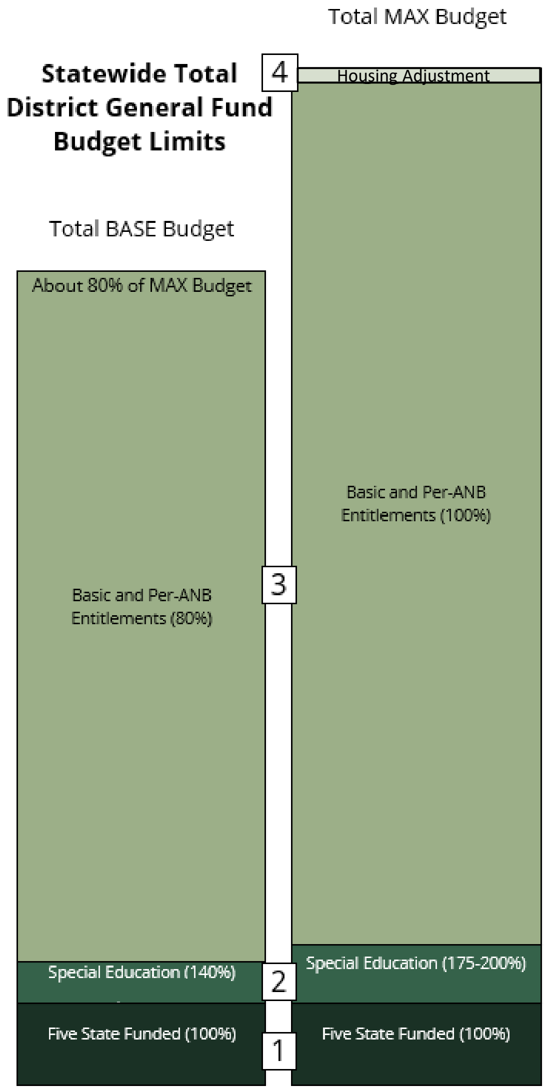
Where are we going?

General SFIC

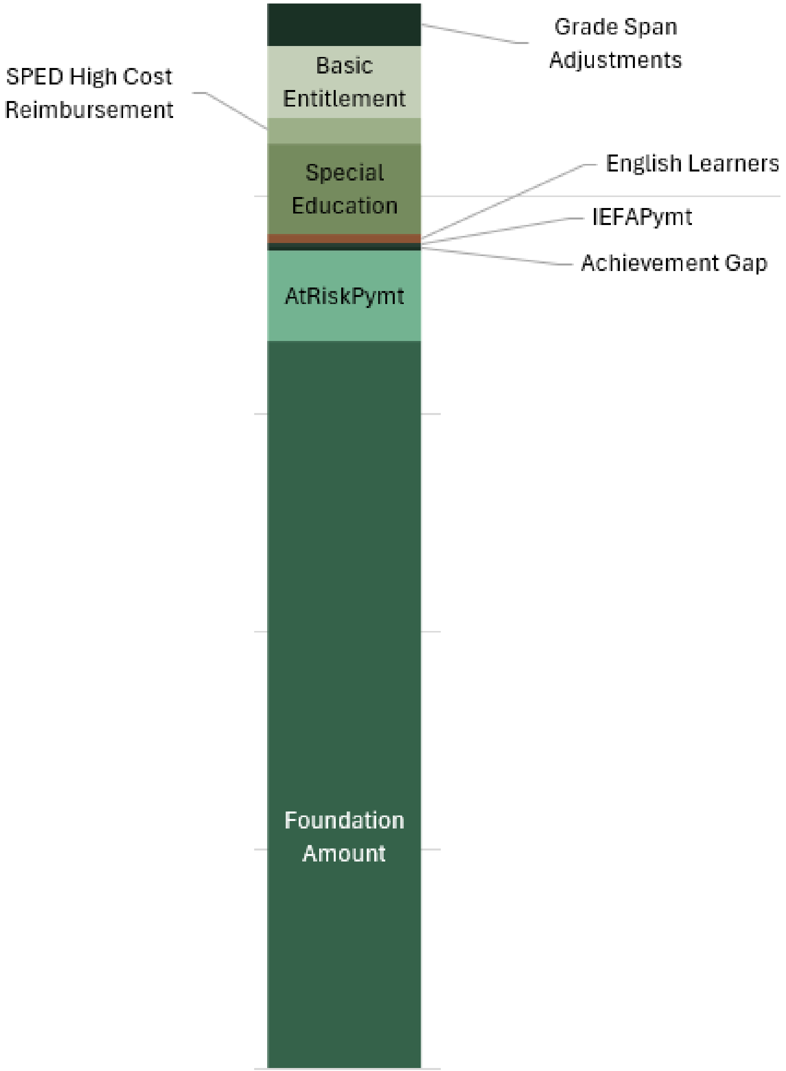
Possible finding:
If a future SFIC or legislature undertakes a rewrite of the funding formula, lessons learned by the 2025-26 SFIC will be helpful.

Possible recommendations:
Include a list of formula design principles and funding issues identified by the 2026-26 SFIC as warranting more attention. (The SFIC will need to articulate these; a more complete overhaul of special education funding is one example.)

Based on the outcome of the SSD study, a future SFIC or legislature may want to consider a more traditional weighted student formula design based on recommendations from APA Consulting.



APA Recommendation



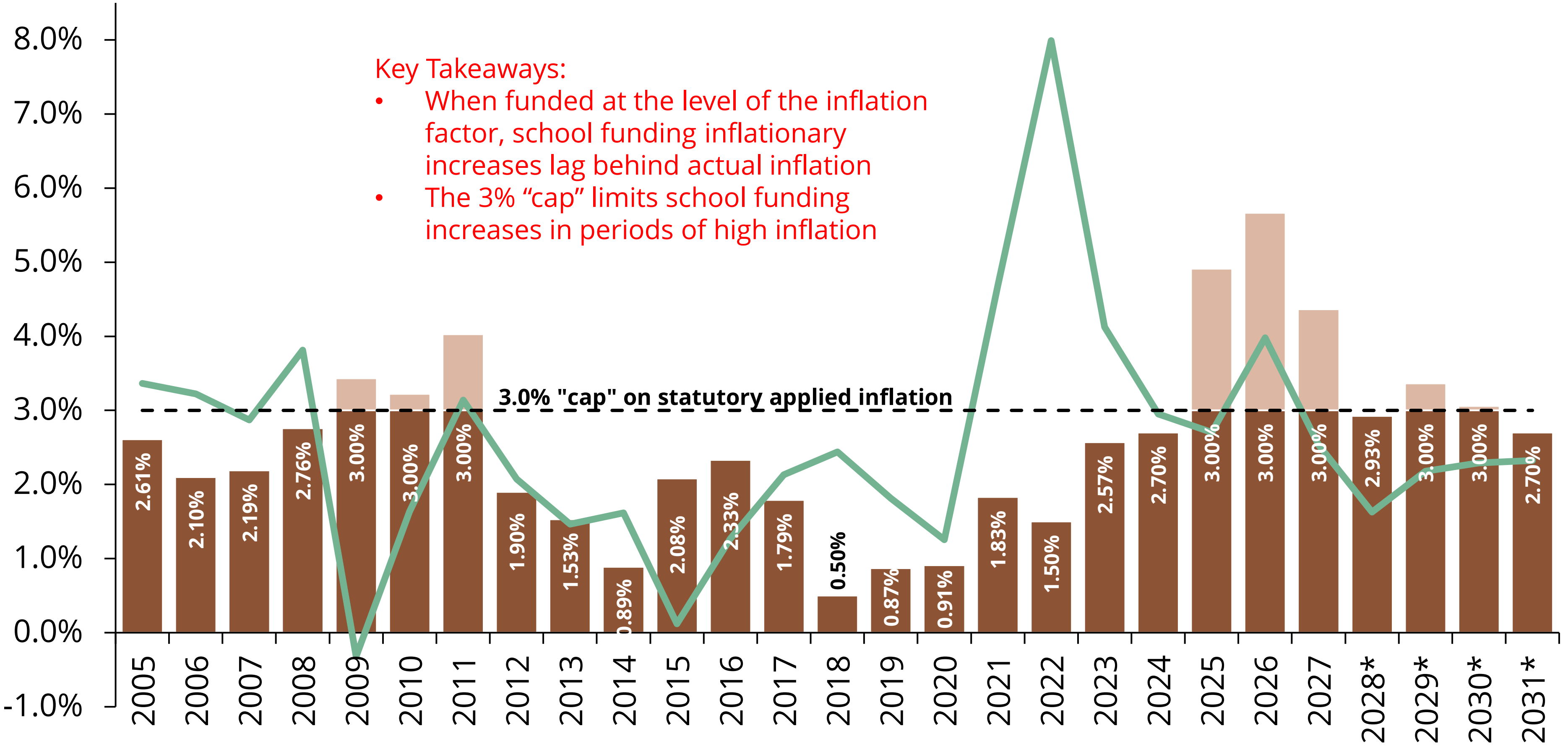
Inflation

Inflation

Possible finding:
The current inflationary mechanism in 20-9-326 is not functioning and needs to be revised.

Possible recommendations:
Bill draft to eliminate the 3% "cap", minimize the lag, and use a more appropriate inflation metric. *PD 12 (Pad)*

Present Law Statutory Applied Inflation (Basic Entitlements, Per ANB, and State Funded Components) as compared to **Growth in the Consumer Price Index (CPI)**

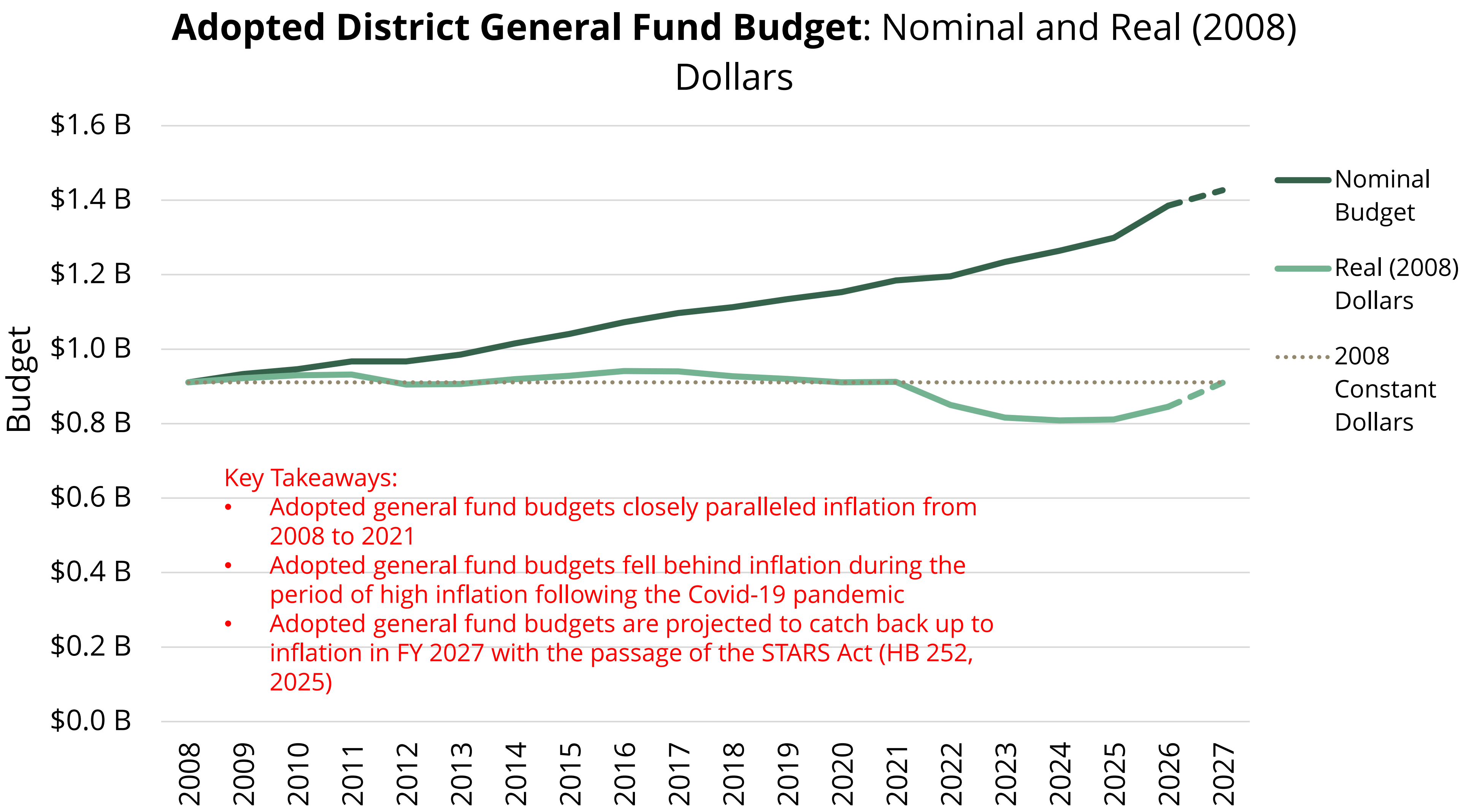


*IHS CPI Forecast as of May 2026

Inflation

Possible finding:
The current inflationary mechanism in 20-9-326 is not functioning and needs to be revised.

Possible recommendations:
Bill draft to eliminate the 3% “cap”, minimize the lag, and use a more appropriate inflation metric. *PD 12 (Pad)*

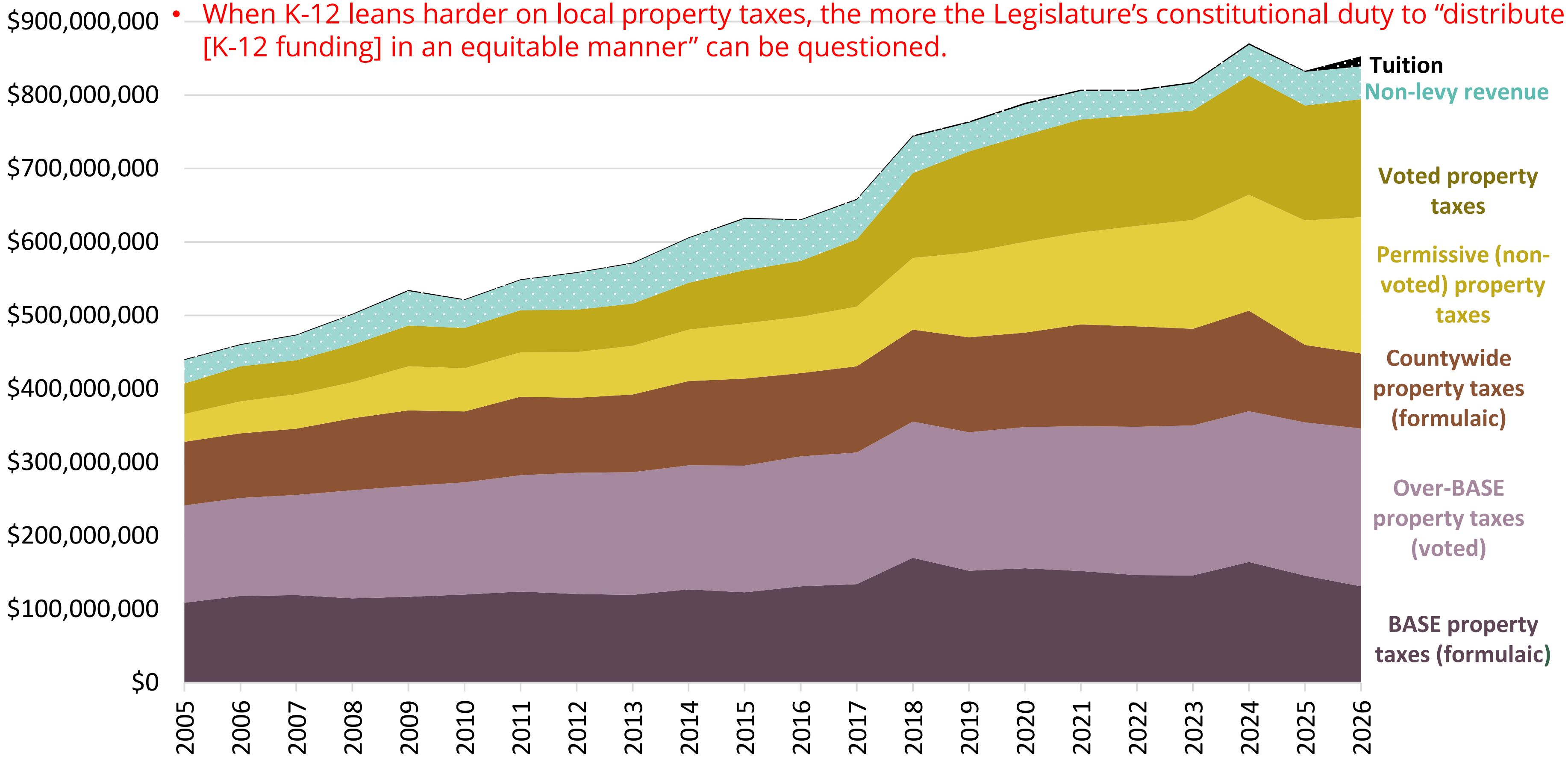


Inflation

Possible finding:
The lack of regular inflationary adjustments to funding components outside the district general fund often results in cost shifts onto local property taxpayers.

Possible recommendations:
Consider adding inflationary mechanisms to funding outside K-12 BASE Aid so that funding levels do not fall behind inflation over time. *Bill draft or statement in report*

Key Takeaways:
- Lack of regular inflationary adjustments (and delays in how the GTB formulas operate) can shift funding to local property taxpayers
- Historically, during Montana budget shortfalls K-12 costs have shifted onto local taxpayers
- When K-12 leans harder on local property taxes, the more the Legislature's constitutional duty to "distribute [K-12 funding] in an equitable manner" can be questioned.

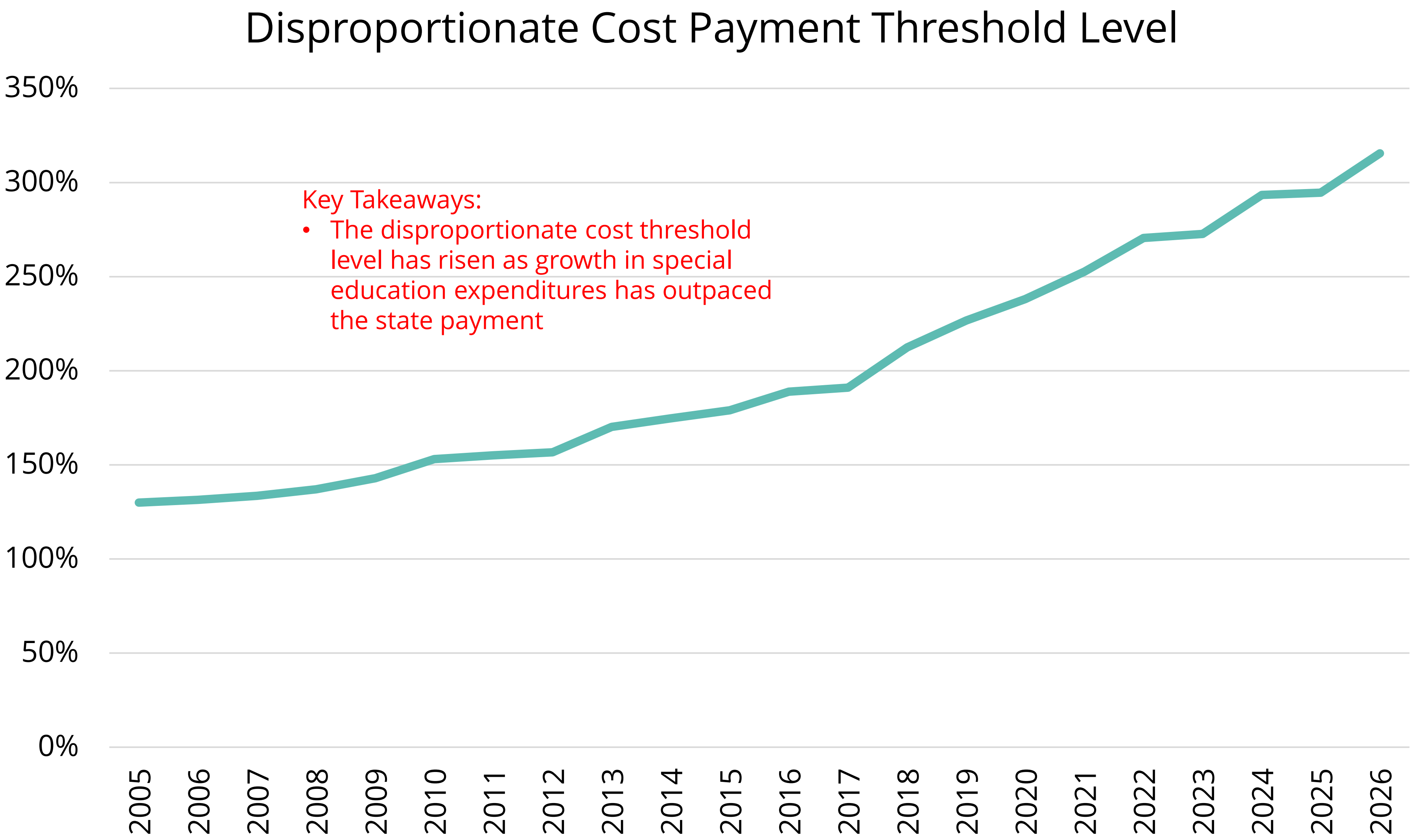


Special Education

Special Education

Possible finding:
State special education funding has fallen behind inflation and the increased percentage of identified students.

Possible recommendations:
Bill draft to increase the special education allowable cost payment.
PD 13 (Pad)



Special Education

Possible finding:
Federal IDEA funding has never provided its goal level of support and, apart from a bump during the pandemic, is decreasing in inflation-adjusted dollars.

Possible recommendations:
Resolution urging the US Congress to fully fund IDEA.
Bill draft or statement in report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Current Congress | Examples: hr5, sres9, "health care"

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The Individuals with Disabilities Education Act (IDEA) Funding: A Primer

CRS PRODUCT (LIBRARY OF CONGRESS) Hide Overview

CRS Product Type:	Reports
CRS Product Number:	R44624
Referenced Legislation:	P.L.108-446; P.L.94-142
Topics:	Education
Publication Date:	02/13/2026
Author:	Dragoo, Kyrie E.

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Summary

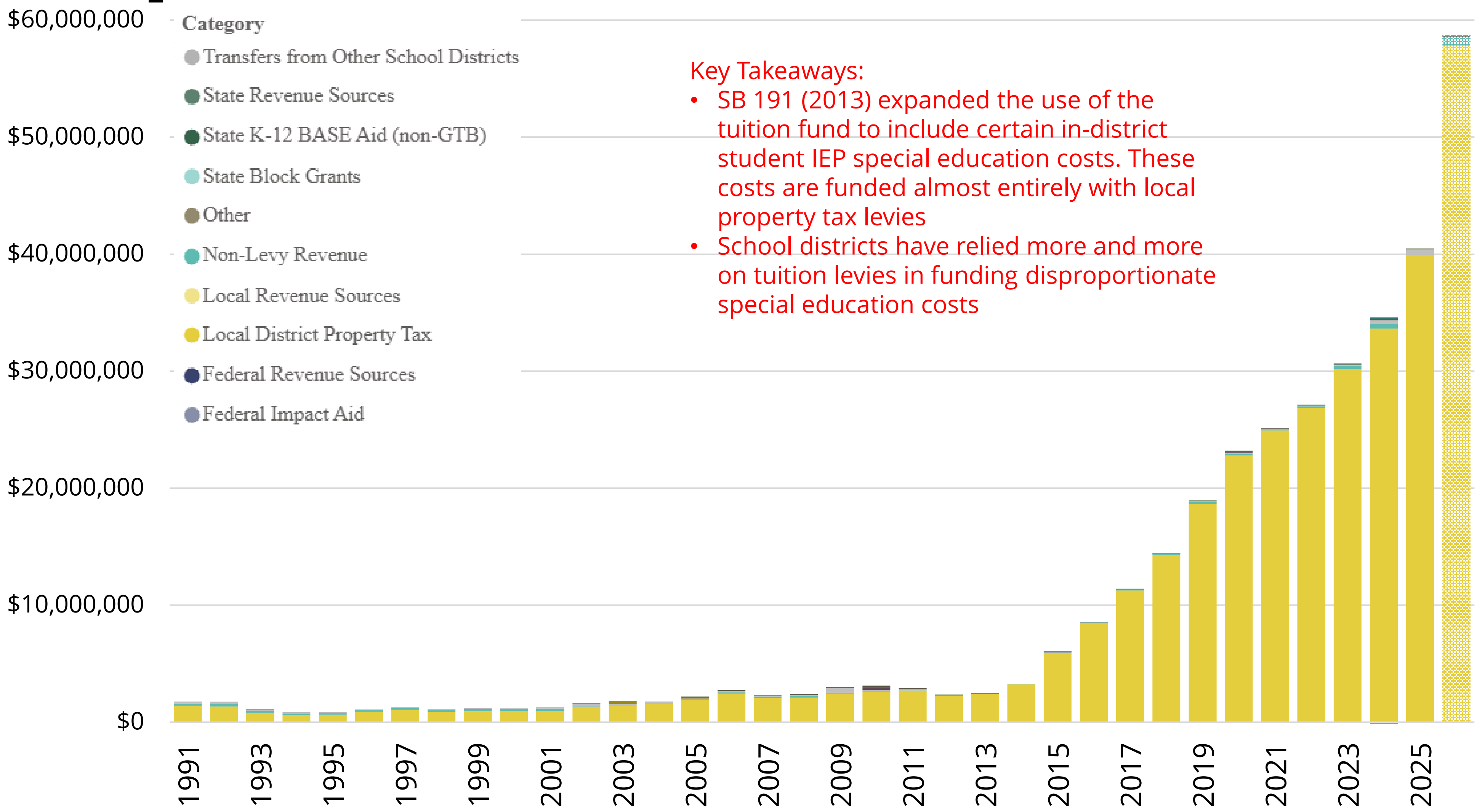
Since the enactment of the Education for all Handicapped Children Act (P.L. 94-142) in 1975, the predecessor legislation to the Individuals with Disabilities Education Act (IDEA), the federal government has played a prominent role in encouraging the principle of educational equality for children with disabilities through a permanent, broad-scale federal assistance program. The IDEA is a grants statute that provides federal funding for the education of children with disabilities and requires, as a condition for the receipt of such funds, that states

Contents

Special Education

Possible finding: Districts, especially small ones, can face budgetary hardship when a student with a disability requires special education services with extraordinary costs.

Possible recommendations: Bill draft to create an extraordinary cost fund. *PD 10 (Pad)*



*FY 2026 is estimated

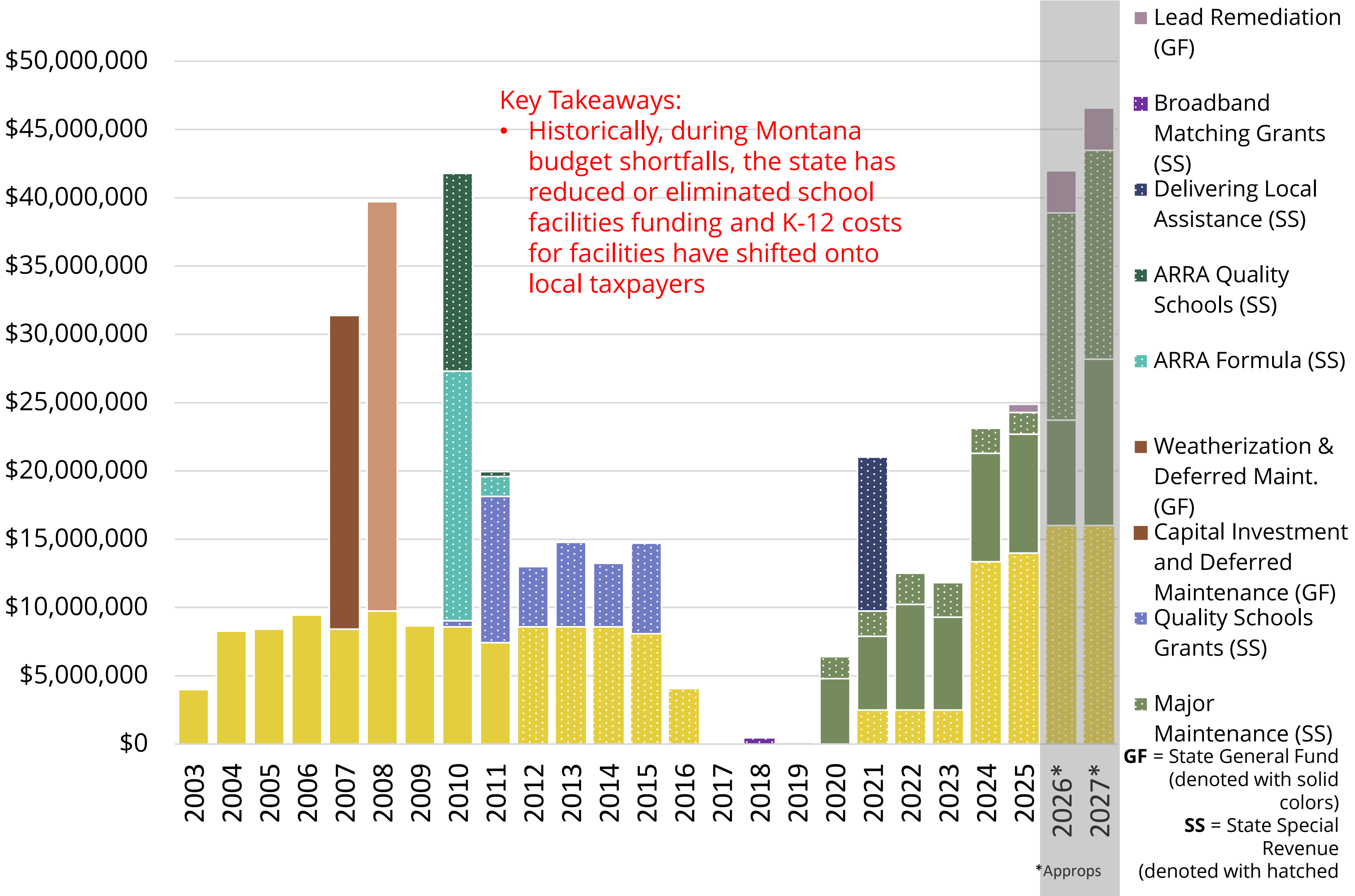
School Facilities and ANB as a Proxy for Costs

School Facilities

Possible finding:
State support for school facilities needs to be consistent, targeted on need, and flexible for the wide variety of district needs.

Possible recommendations:
Bill draft to shore up the SFTA, revise MMA distribution (“box” size), and remove allowance to spend building reserve money on counselors/SROs. *PD 11 (Pad)*

Require or recommend that OPI/school districts maintain an inventory of school district building square footage, building purpose, and/or building condition. *Bill draft or statement in report*



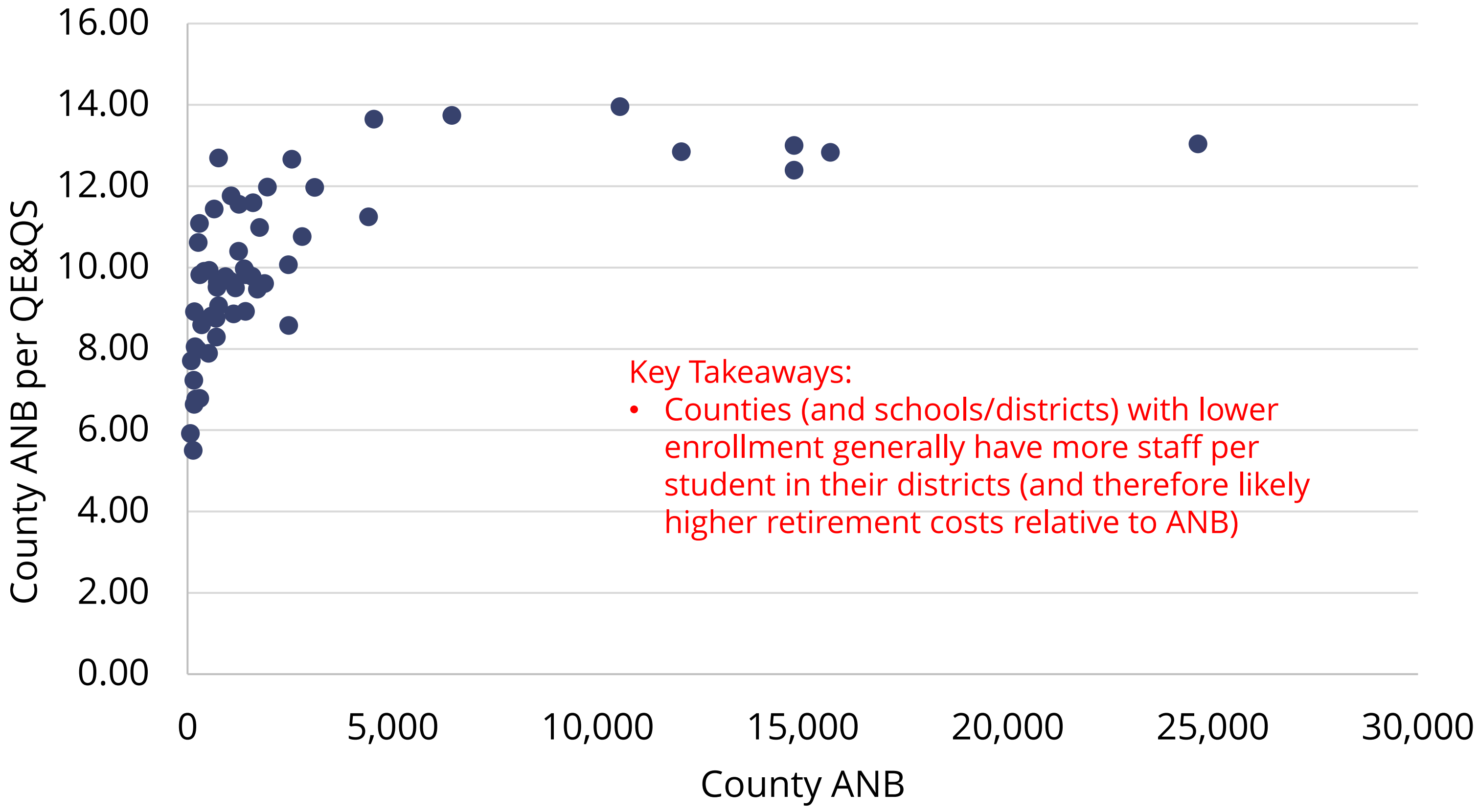
ANB as a Proxy for Costs

Possible finding:
There are alternative/better options than using ANB as a proxy for costs in funding formulas.

Possible recommendations:
Adjust the retirement GTB formula to calculate on the number of Quality Educators and Qualified Staff and to adjust the MMA and debt service assistance formulas to calculate on building square footage and/or condition.
Bill draft or statement in report

Use enrollment in the BASE aid formula instead of ANB, while keeping the Feb/Oct enrollment count days and 3-year-averaging “soft landing.” Teacher PIR days could be funded separately.
Bill draft or statement in report

Retirement Costs: The relationship of student-teacher ratios and enrollment in Montana counties (FY 2026)



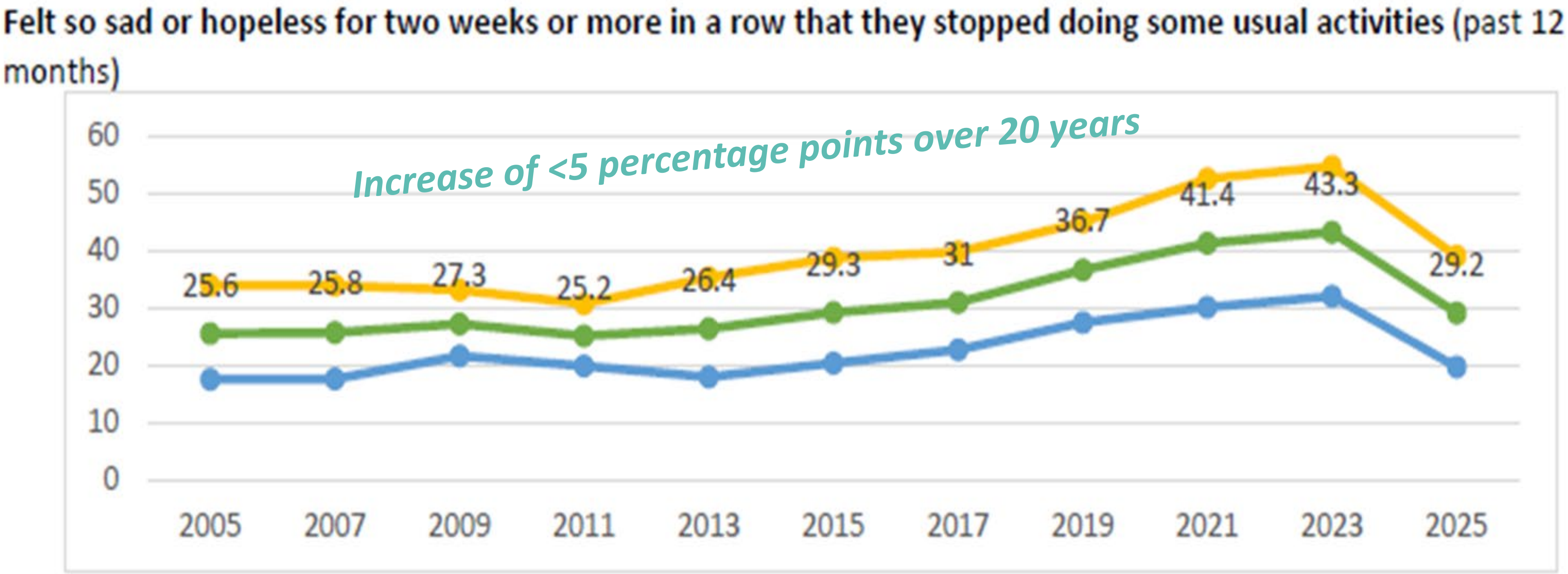
Student Mental Health

Student Mental Health

Key Takeaways:
- Students increasingly report experiencing sadness, hopelessness, and negative mental health

Possible finding:
Student mental health is an increasing concern.

Possible recommendations:
Recommend continued collaborative multi-agency efforts to support schools in supporting student mental health. *Statement in report*



Key	
Montana State	
Male	
Female	

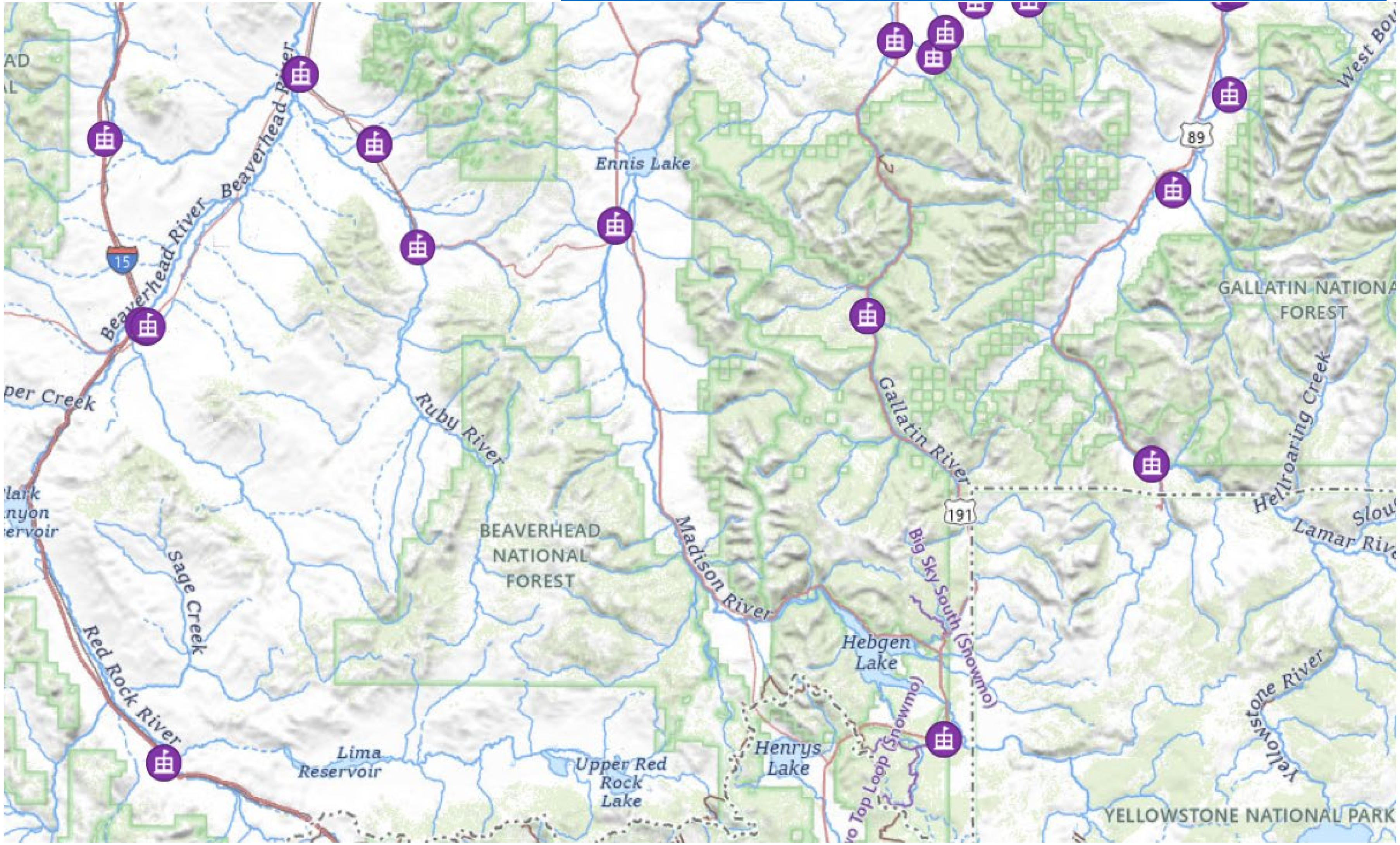
Geographic Considerations

Geographic Considerations

https://experience.arcgis.com/experience/10ac5b5c987449339f658631ead114e9

Possible finding:
Montana has unique geographic conditions that require the existence of small, isolated, and necessary schools and school districts.

Possible recommendations:
Revise the school district isolation and non-isolation definitions and/or adjust funding for necessarily isolated schools. *Bill draft or statement in report*

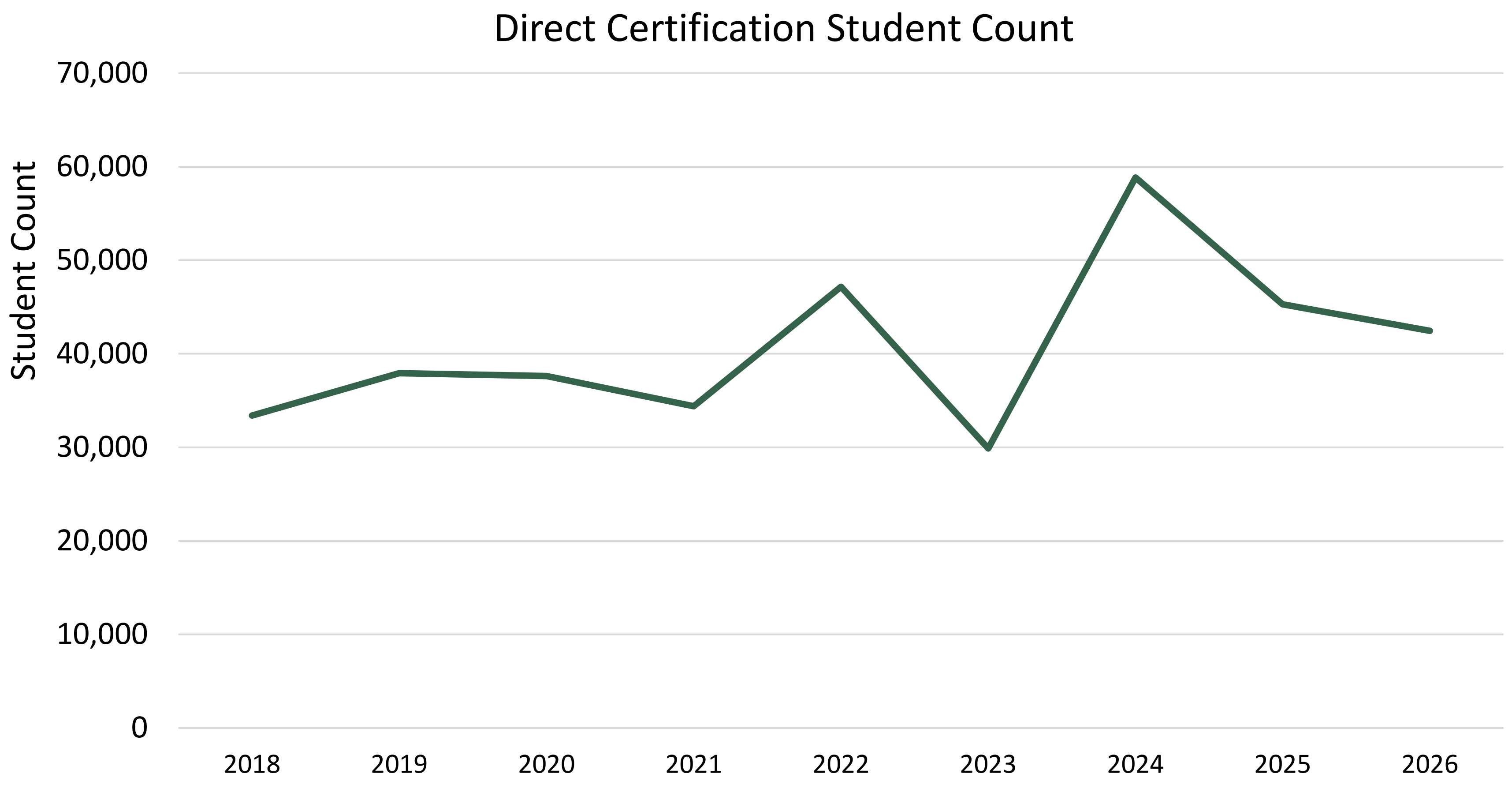


Student Demographics

Student Demographics

Possible finding:
Current state support for at-risk students is among the lowest in the nation.

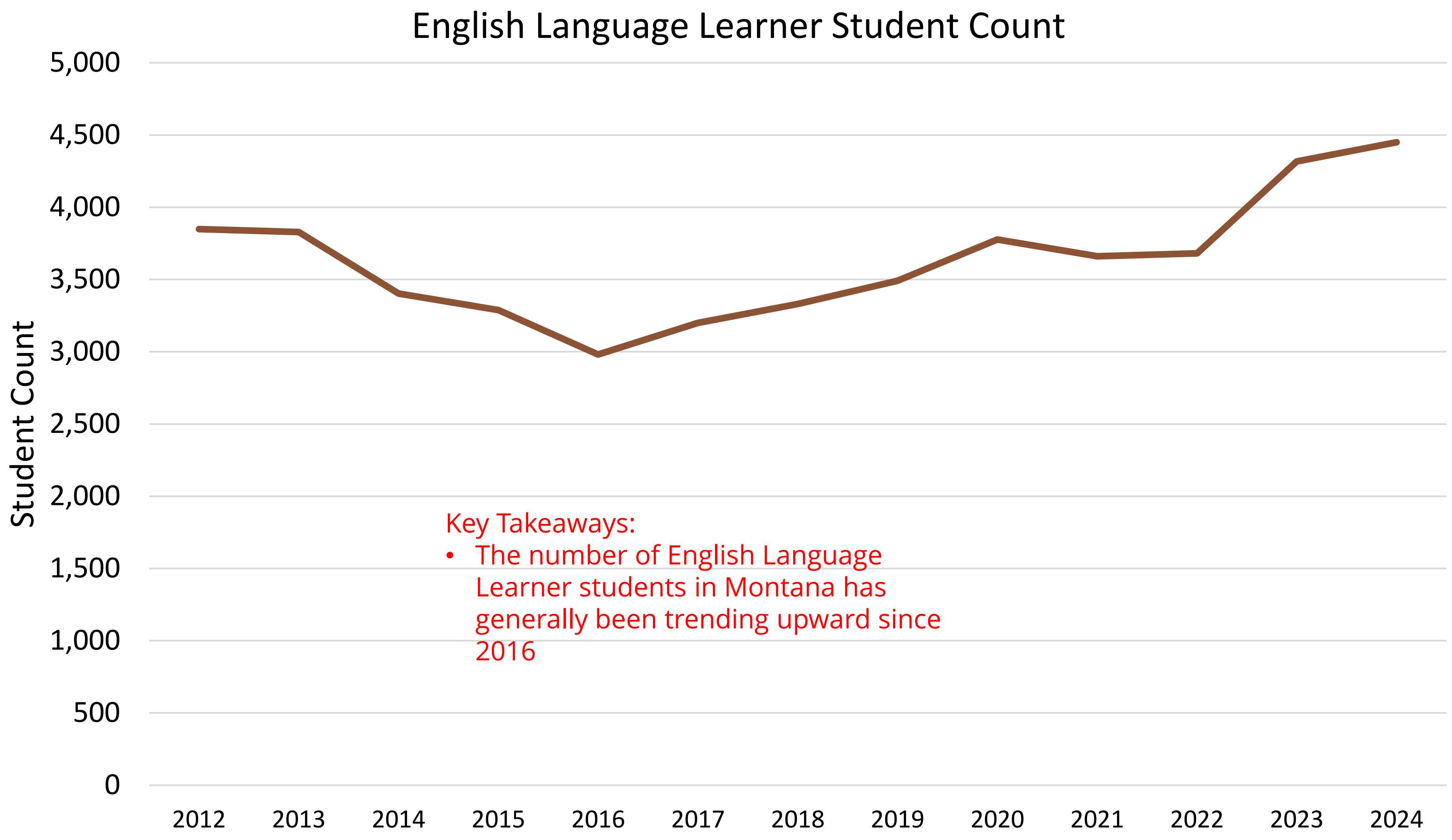
Possible recommendations:
Increase the current At-Risk Payment and base its distribution on economically disadvantaged students as determined through direct certification. *Bill draft or statement in report*



Student Demographics

Possible finding:
Montana is the only state that provides no supplemental funding for English Language Learners.

Possible recommendations:
Create a new funding component based on the number of ELLs in a school district. *Bill draft or statement in report*



Funding Formula Design

Funding Formula Design

Possible finding:
While a degree of sophistication is required in a school funding formula serving nearly 400 school districts of three different types (EL, HS, K-12) ranging in size from less than 5 students to 10,000 students, MT's formula has some unnecessary complexities that should be remedied.

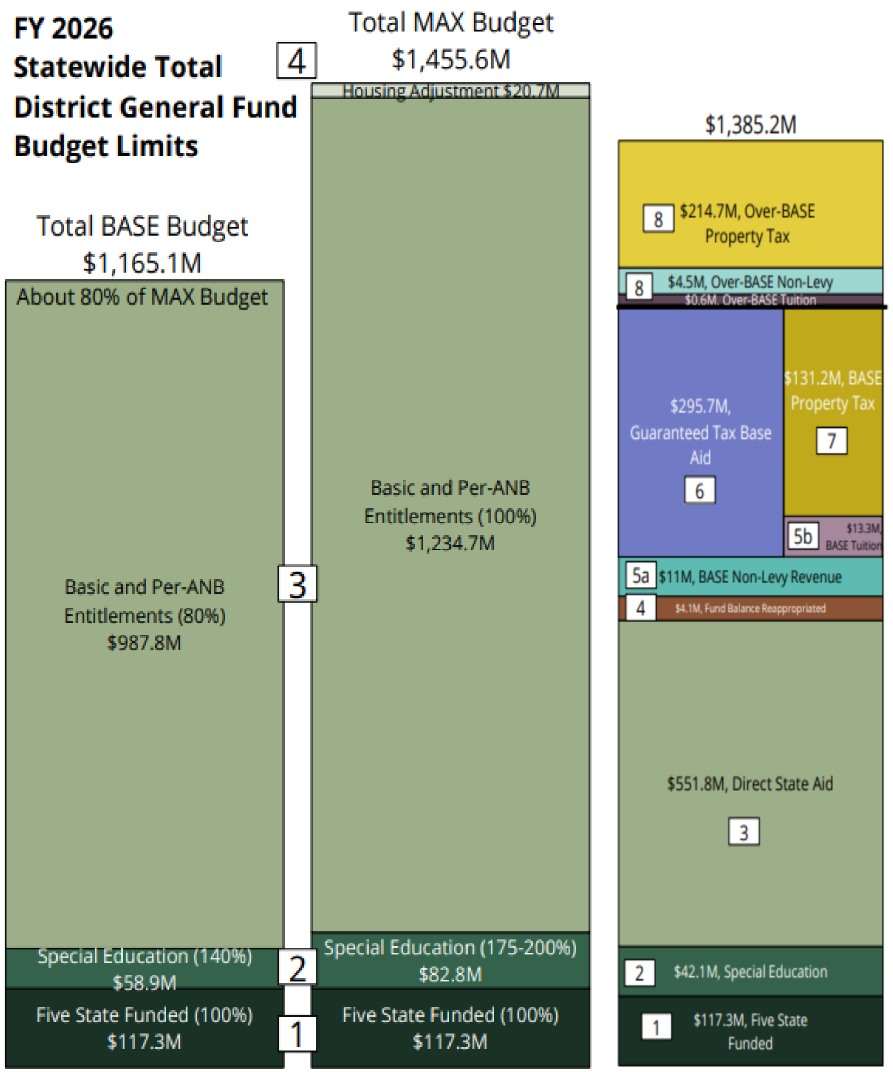
Possible recommendations:

- Remove the decrement
- Change current 80/100 BASE/Max to 100/125
- Other simplifications TBD

Bill draft or statement in report

Key Takeaways:

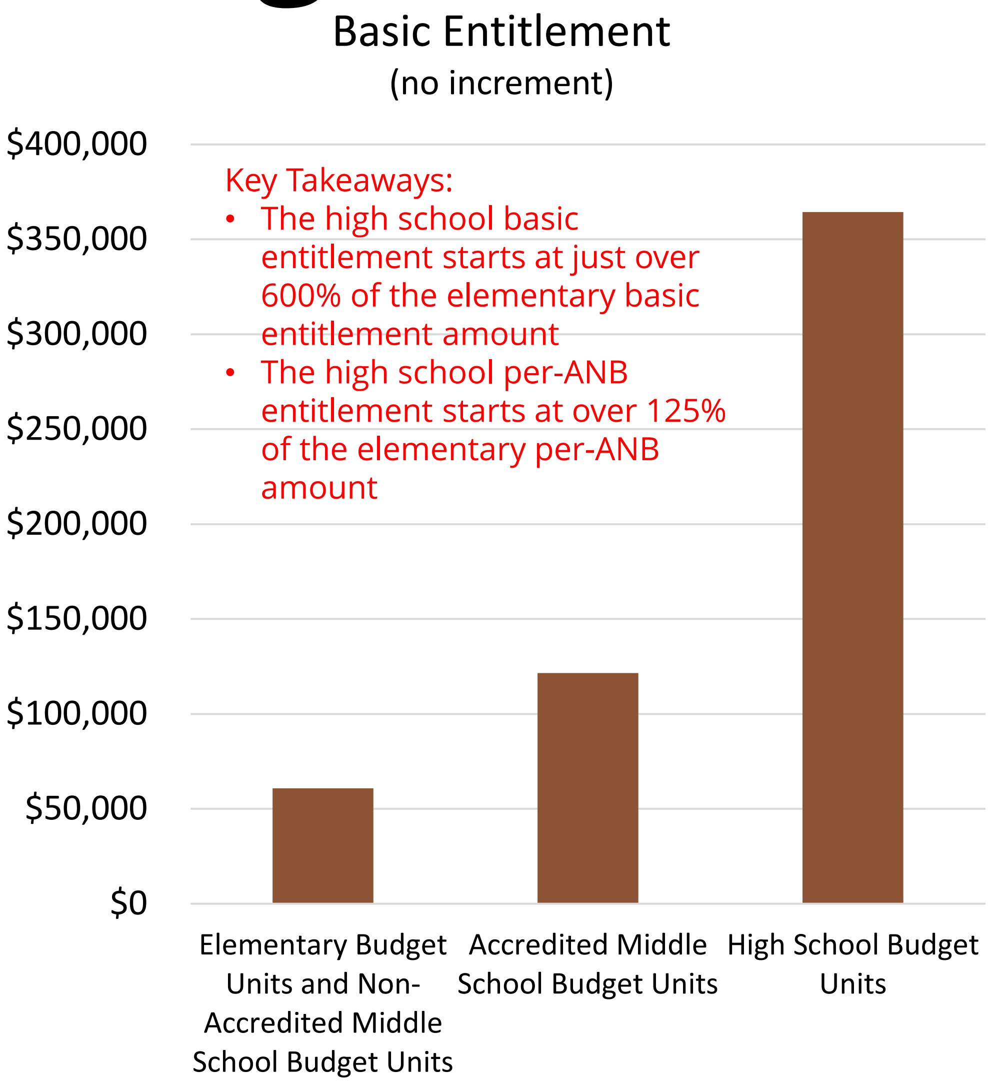
- We have a formula to establish a district's general fund budget limits (left two columns) with a BASE budget and a maximum budget, and a formula for how a district's adopted budget is funded (right)
- Several aspects of Montana's funding formula are designed in a manner that causes confusion, complication, and the perception of funding being decreased, including the per-ANB entitlement decrement
- There seems to be a common misunderstanding that "schools are only funded at 80% of their budget." While accurate in terms of math (the BASE budget is approximately 80% of the MAX budget), the BASE budget limit was intended to ensure an adequate amount of funding for each district, while the MAX budget limit was intended to provide a range to allow for local control while also maintaining equity. (Whether those budget limits are functioning as intended is subject to interpretation)

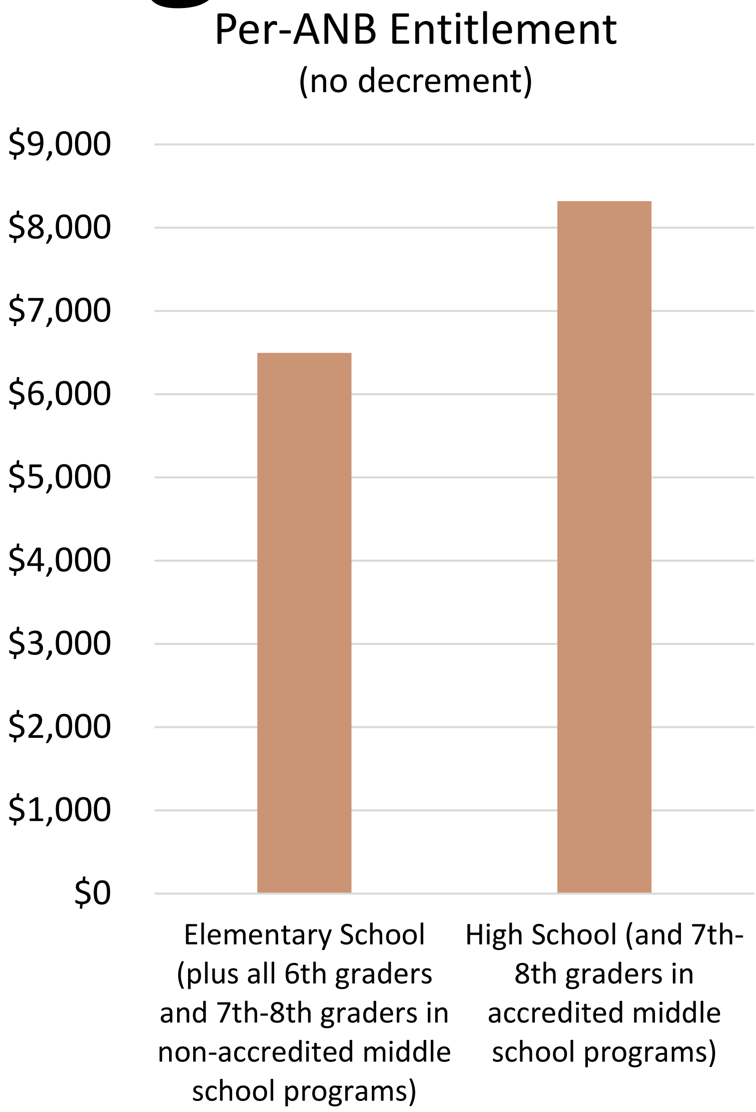


Funding Formula Design

Possible finding:
Montana's current grade-level adjustments (via different ANB and basic entitlement amounts) do not reflect higher costs in the early grades due to class-size limits.

Possible recommendations:
Revise EL and HS per-ANB and/or basic entitlement amounts to better reflect costs. *Bill draft or statement in report*





Funding Formula Design

Possible finding:
Montana's school data and accounting systems need to be improved.

Possible recommendations:
Specific recs could include:
- LEG avoid opaqueness when providing flexibility (fund transfers, interlocal funds, FNVLA)
- Modernize/integrate data collection systems
- OPI review and update chart of accounts
- OPI ensure economically disadvantaged students are fully visible in accountability system
- OPI simplify/merge/automate systems for receiving smaller grant funds to reduce administrative burden and "make the juice worth the squeeze"

Statement in report

Program Dimension - A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. This dimension provides the school district the framework to classify expenditures by program for cost determination purposes. Programs are classified in the following broad categories:

100 Regular Programs
200 Special Programs
300 State Grants
400 Federal Grants
500 Non-Public School Programs
600 Adult Education Programs
700 Extracurricular Programs
730 Emergency Federal Programs
800 Community Services Programs
900 Enterprise Programs

Function Dimension - The function dimension describes the type of activity within a fund and program. It includes the area sub functions, activities, and sub activities performed to accomplish general objectives. Expenditures are classified by function to provide comparability between communities and states and to assist in decision making.

<u>3.16B Expenditure Function Definitions</u>

The function dimension describes the type of activity within fund and program using a four-digit code. The first two digits of the function code designate one of the following six broad areas: Instruction, Support Services, Operation of Non-Educational Services, Facilities Acquisition and Construction Services, Debt Service, and Other Financing Uses. The next two digits provide two additional levels of detail descriptions for a specific function. Following are definitions of the functions and sub functions.

1000 **Instruction.** Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium, such as: television, radio, computer, internet, multimedia, telephone, and correspondence, and is delivered inside or outside the classroom or in other teacher/student settings. Included here are the activities of aides or classroom assistants of any type who assist in the instructional process. If proration of expenditures is not possible for department chairpersons who also teach, include department chairpersons who also teach in instruction. Expenditures for full-time department

<u>Project Reporter Code – numbering and uses</u>

1-99 Should not be utilized as a PRC, not a three digit numb
100- 899 To be assigned by districts as needed. For federal gran OPI "money type" as the first expenditure purpose. Refer t codes. The third digit may be
9XX Reserved by the OPI – the ass
910 - 949 Assigned by the OPI for budg
950 - 959 Assigned by the OPI for budg

<u>Project Reporter Code - Local, State and Fede</u>

A unique PRC must be assigned to the revenue a state, or federal grant. The first two digits may b the OPI money type, or expenditure purpose and or fiscal year. This code permits the user to relat PRC is assigned to the expenditure and revenue

For example, the first two digits could be used as
- ✓ 77 = Federal IDEA, Part B, Children wi
- ✓ The third digit could be used to desig
  - 8= 2018
  - 9= 2019

1. 778 = 2018 Federal IDEA, Part B, Children
   Revenue: X15-4560-778
   Expenditure: X15-456-1000-112-778

Object Code Dimension - The object code refers to the good or service obtained. Objects are classified in the following broad categories:

1. <u>Current Expenditures:</u>

   100 Personal Services—Salaries
   200 Personal Services—Employee Benefits
   300 Purchased Professional and Technical
   400 Purchased Property Services
   500 Other Purchased Services
   600 Supplies and Materials
   700 Property and Equipment Acquisition
   800 Other Expenditures

2. <u>Adjustments to Beginning Fund Balance:</u>

   892 Material Prior Period Expenditure Adju

3. <u>Other Uses of Funds:</u>

   900 Other Uses of Funds

140 **Sabbatical Leave.** Amounts paid by the school district to employee
- 141 **Official/Administrative**
- 142 **Professional/Educational**
- 143 **Professional/Other**
- 144 **Technical**
- 145 **Office/Clerical**
- 146 **Service Work**

150 **Stipends.** An additional salary paid for additional duties such as cu coaching athletics, or directing activities such as the school yearbo clubs, etc. Stipends are usually limited to teaching personnel. Addi teaching personnel more than 40 hours in a workweek should be r overtime.
- 151 **Official/Administrative**
- 152 **Professional/Educational**
- 153 **Professional/Other**
- 154 **Technical**
- 155 **Office/Clerical**
- 156 **Service Work**

160 **Sick Leave Termination Pay.** Amounts paid an employee for termi provided by §2-18-618 and §20-9-512, MCA. Includes annual sick l backs" provided in collective bargaining agreements with certified

170 **Vacation Leave.** Amounts paid an employee for termination vacat 611, MCA.

Curriculum and Professional Development

Curriculum and Professional Development

Possible finding:
State support for high-quality instructional materials (HQIM) would create efficiencies for school districts, increase teacher effectiveness, and raise student achievement.

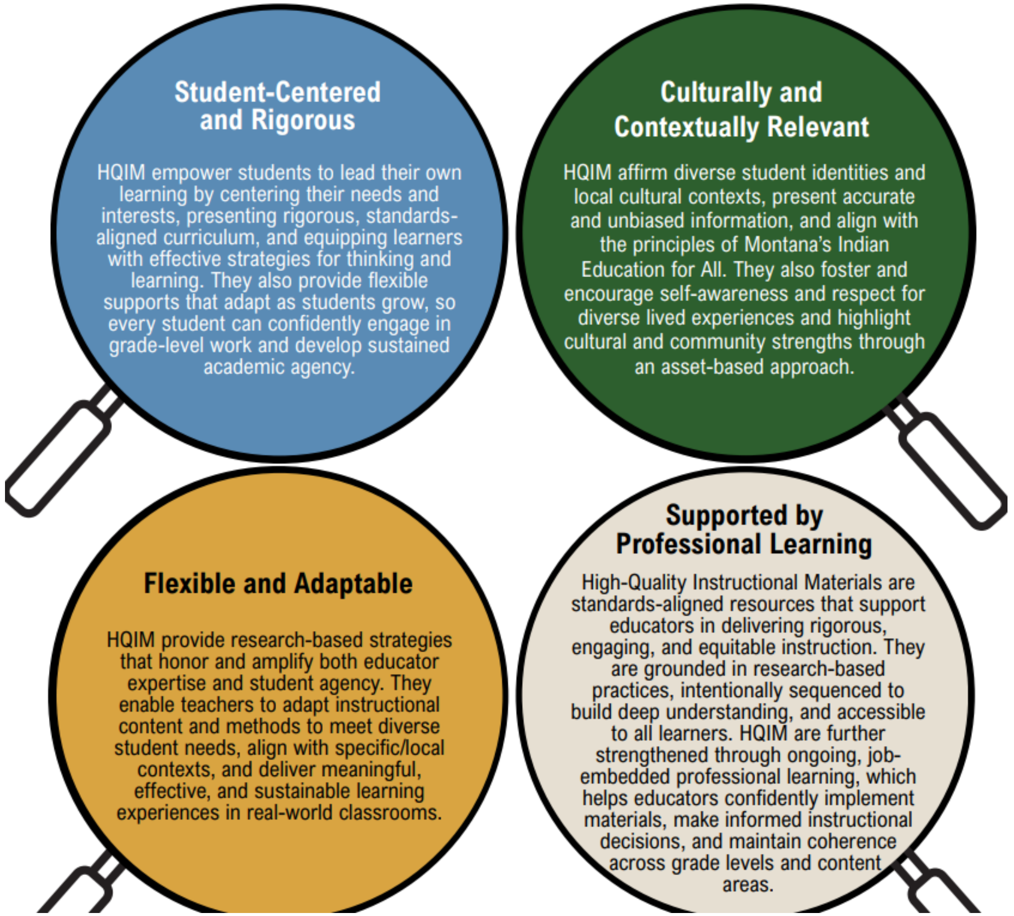
Possible recommendations:
Create a program that provides state support for HQIM selection and procurement, including professional development. Could be piloted for specific content area or at specific age group (ex. early grades literacy and/or numeracy). *Bill draft or statement in report*

Key Takeaways:

- "Montana is a local control state, meaning local school boards determine the curriculum. Districts and teachers determine classroom instruction, guided by the curriculum." –[OPI Curriculum Review and Selection Guide]
- Professional development (teacher PIR days) are currently funded via an inflation factor on ANB

Defining High-Quality Instructional Materials

High-Quality Instructional Materials (HQIM) are not one-size-fits-all. It can be helpful to think about the defining characteristics of HQIM as four separate—but equally necessary—lenses through which educational resources are examined in order to make choices that best suit your students, educators, and communities. These characteristics, or lenses, are Student-Centered and Rigorous, Culturally and Contextually Relevant, Flexible and Adaptable, and Supported by Professional Learning.



Other findings or recommendations?

School Funding Resources:

https://www.legmt.gov/lfd/publications/school-funding-library/

Property Tax Resources:

https://www.legmt.gov/lfd/publications/property-tax-library/

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