MONTANA

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I. GENERAL BACKGROUND

State

The State of Montana implemented its current school funding system in 1993. Of significance is an "equalization" structure that determines a maximum and minimum general fund budget for each school district based on the number of students in the district, with the goal of limiting expenditure disparities to 25% for similarly-sized school districts. A district's minimum budget, or BASE budget, is 80% of the maximum. The BASE and maximum budget of the district is adjusted each year to reflect changes in the school district's enrollment.

State support for public schools is paid from the state general fund. Only two sources of state revenue are specifically earmarked for schools. These sources are a property tax of 95 mills levied statewide and revenues derived from school trust lands. The state share of funding for total school general fund budgets has declined annually from 71% for 1990–1991 to 62% for 1998–1999.

State equalization aid is distributed to all public school districts in the form of direct state aid and special education block grants. In addition, state guaranteed tax base (GTB) aid supplements mill levies in "low-wealth" school districts to fund the GTB budget area, which is the portion of the BASE budget not funded with direct state aid or state special education block grants. A district is eligible for guaranteed tax base aid when the ratio of the district's taxable valuation to the GTB budget area is less than the statewide average. Guaranteed tax base aid matches local property tax levies to fund a district's BASE budget. Any budgeted expenditures in excess of the BASE budget are funded solely with local district revenues.

State aid is also provided to districts to fund pupil transportation, teachers' retirement and debt service on school facilities. The state transportation payment reimburses a portion of district transportation costs for bus routes approved by county transportation committees. State assistance for teachers' retirement and debt service payments is a form of guaranteed tax base aid similar to that provided to supplement district general fund budgets.

Local

In 1998–1999, the state had 460 school districts; 113 operating high school districts, 291 operating elementary districts, 52 operating K–12 school districts, and 4 non-operating elementary districts. For a majority of Montana's elementary and high school districts, administrative responsibilities have been combined through joint boards of trustees for many years. A board of elected trustees that operate independently of city or county government governs school districts.

Of the 456 operating school districts, 112 districts with 14% of the state's public school population adopted budgets equal to the BASE budget amount; 214 districts with 61% of the population adopted budgets between the BASE and maximum general fund budget amount; 101 districts with 23% of the population adopted budgets at the maximum general fund budget amount; and 29 districts with 2% of the public school population adopted budgets in excess of the maximum. (When the new school funding structure was adopted by the legislature in 1993, there were districts whose adopted budget for the prior year exceeded the statutorily determined “maximum” budget. These districts were not required to reduce their budgets below their 1992–1993 levels, but their budgets cannot increase until the legislature approves spending limits which exceed those adopted by the district.)

For the 1998–1999 school year, districts budgeting between the BASE and the maximum budget were able to increase their general fund budgets by up to 4% with voter approval. Under Montana state law, voters approve increases in spending authority for schools regardless of the source of revenue to fund the increases. Property taxes and fees in lieu of taxes are the major source of local district tax revenues.

Funding Summary 1998–1999

Total State School Aid (All Programs)			$	462.1	million
Grants in aid	442.3	million			
Teacher Retirement Contributions	19.8	million			
FICA	0	million			
Total Local School Revenue			$	455.4	million
Property Tax	255.7	million			
Other local source tax revenue	134.0	million			
Local source non-tax revenue	65.7	million			
Total Combined State and Local School Revenue			$	917.5	million
State Financed Property Tax Credits Attributable to School Taxes				0	

II. LOCAL TAX REVENUE

Property Tax

Montana's property tax system classifies property into 11 property classes, including real, personal, net proceeds of non-metaliferous mines, gross proceeds of metal mines, agricultural lands, timber lands, livestock, farmsteads, rural electric and telephone cooperatives, new industrial, utilities, and airlines and railroads. Each property class has a unique tax rate applied to the market value of the property to determine the taxable valuation. Agricultural land, commercial and residential real property, and timberlands are appraised on a 5-year cycle. All other property is appraised annually. Montana does not use a sales-assessment ratio for adjusting property values after reappraisal.

In 1998–1999, local school districts collected $225.5 million to fund school district budgets, not including building reserve and debt service budgets. The state and counties collected an additional $269.2 million for school purposes.

Income Tax

No local income taxes.

Other Sources of Local Tax Revenue

School districts receive distributions of fees on property that was formerly in the property tax base, but is now taxed through "flat taxes," with one tax rate applied statewide. These flat taxes, which include revenues from motor vehicle and recreational vehicle fees and from oil, gas and coal production taxes, are distributed in the same manner as taxes collected from the mills levied against the property tax base.

Tax Credits and Exemptions

The state provides for a graduated, low-income homeowners property tax exemption on the first $80,000 of market value of residential property.

The tax rate applied to new industrial property is 3% of market value compared to the 3.86% tax rate applied to other commercial property. The Montana Department of Revenue must approve industrial property as eligible for the new industry classification before it can be taxed at the lower rate. Air and water pollution-control equipment and property-owned by rural and electric cooperatives are also taxed at the reduced 3% tax rate.

In compliance with the federal 4-R's Act, the tax rate on railroad and airline property is adjusted annually to reflect the "equalized average tax rate generally applied to commercial and industrial property."

III. TAX AND SPENDING LIMITS

Tax Limits

Montana's local school districts are not subject to tax limitations. The public school funding system is based on spending limits for the district general fund budget.

Spending Limits

State law requires that every school district adopt a general fund budget which is at least equal to the BASE budget and does not exceed the maximum general fund budget as defined by the school funding formula. Within the BASE and maximum limits, a school district may increase its budget, subject to the limitation that the adopted budget may not exceed the greater of 4% of the prior year's budget or 4% of the prior year's budget per ANB (Average Number Belonging, explained below) times the current year's ANB. In 1993, when the Montana legislature adopted the current school-funding model and spending limitations, there was a group of school districts whose prior year budgets exceeded the newly established budget maximums for the 1993–1994 school year. The law allows a district whose 1992–1993 general fund budget exceeded the 1993–1994 maximum to continue to budget an amount above the maximum, but not to exceed the 1992–1993 budget amount.

Voter Approval of Budgets

In 1998–1999, increases in school general fund budgets were subject to spending limits and required voter approval. Voters must approve any general fund budget increases in excess of the lesser of the prior year's budget or the prior year's budget per ANB times the current year's ANB. In a time of declining enrollment, many school districts must seek voter approval just to maintain the prior year budget level. If an election fails, a district may hold subsequent budget elections provided the district meets the 40-day public notice requirement and adopts a budget by the second Monday in August.

No voter approval is required for the district levies to fund the transportation, tuition, adult education, bus depreciation, or non-operating funds. The building reserve and the debt service fund require one-time voter approval prior to sale of the bonds or establishment of the building reserve. If a bond or building reserve election fails, the district may hold another election subject to the 40-day public notice requirement.

Limits on Fund Balance Accumulations

School districts are allowed to carry a general fund operating reserve equal to 10% of the general fund budget. Any general fund balance in excess of 10% must be appropriated to fund the budget and to reduce local property taxes and state guaranteed tax base aid payments.

In the other budgeted school funds, districts may carry operating reserves equal 20% of the transportation budget, 35% of the retirement budget, and 35% of the adult education budget. For the debt service fund, the district may designate a limited operating reserve for the purpose of paying warrants and bond obligations that must be paid from July 1 (beginning of school fiscal year) through November 30 (receipt of first-half property tax payments). Districts may not carry operating reserves in the tuition or non-operating funds. The bus depreciation and building reserve funds have no reserve limits.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

The state has two significant sources of revenue earmarked for public school equalization: a 95-mill statewide property tax levy and interest and income from school trust lands.

V. BASIC SUPPORT PROGRAM

Funding in 1998–1999: $393.3 million.

Percentage of Total State Aid: 85.0%.

Nature of program: The formula establishes a minimum (or BASE) and maximum general fund budget for each school district based upon the number of students in the district. State funds support the BASE budget and are allocated as direct state aid (i.e., foundation) payments to all districts and as guaranteed tax base aid to supplement levies in eligible districts.

Allocation units: Direct state aid is allocated through a basic entitlement (distributed to each elementary and high school district regardless of size) and a per-student entitlement based on the average number belonging (ANB) in the district.

For the 1998–1999 school year, the average number belonging for each school district is derived from enrollment counts taken in October 1997 and February 1998 and reported by the district to the state. Pre-kindergarten students are excluded from the ANB calculation and kindergarten students are included as one-half. To calculate ANB, the average of the two enrollment counts is multiplied by the sum of 180 pupil-instruction days plus the district's pupil-instruction related (PIR) days. The result is divided by 180.

Local Fiscal Capacity: Equalized assessed property valuation. Montana's property tax system establishes 11 classes of property; a unique tax rate is applied to the market value of each class of property to determine the taxable valuation.

Entitlement Aid-Center

Funding for entitlement aid was $274.8 million.

How the Formula Works: The budget building process begins with the calculation of a district's basic and per-ANB entitlements. The basic and per-ANB entitlements, along with the district's special education funding, define the maximum general fund budget that a school district may adopt.

The basic entitlement is a fixed amount of $18,000 for an elementary district and $200,000 for a high school district. When an elementary district has an approved 7th–8th grade program, the district adjusts its basic entitlement to fund a portion of its basic entitlement at the high school funding rate.

Formula for computing basic entitlement:

Elementary district: $18,000 x [(K-6 ANB)/(K-8 ANB)] + $200,000 x [(7-8 ANB)/(K-8 ANB)]

High school district: $200,000

The per-ANB entitlement varies based on the total ANB of a district. The per-ANB entitlement starts at $3,410 for a K–6 ANB and at $4,773 for a 7–12 ANB and is reduced for each additional student as the size of the district increases. The reduction in the per-ANB entitlement levels out when a district's K-6 program reaches 1000 ANB and when the secondary program reaches 800 ANB.

Formula for computing per-ANB entitlement:

Elementary districts with 100 ANB or less:
$3,410 x Elem ANB – [.20 x (Elem ANB/2) x (Elem ANB – 1)]

Elementary districts with more than 1000 ANB:
$3,310,100 + [(Elem ANB – 1000) x $3,210.20]

High school districts or accredited 7^{th}–8^{th} grade programs with 800 ANB or less:
$4,773 x HS ANB – [.50 x (HS ANB/2) x (HS ANB –1)]

High school districts or accredited 7^{th}–8^{th} grade programs with more than 800 ANB:
$3,658,600 + [(HS ANB – 800) x $4,373.50]

An elementary district without an accredited 7th–8th grade program has a per-ANB entitlement of $3,410 decreased at a rate of $.20 per-ANB for each additional elementary ANB up to 1,000 ANB. For each ANB over 1,000, the per-ANB entitlement is $3,210.20.

An elementary district with an accredited 7th–8th grade program, has a per-ANB entitlement of $3,410 for each K–6 ANB decreased at a rate of $.20 per-ANB for each additional K–6 ANB up to 1,000 ANB. For each K–6 ANB over 1000, the district per-ANB entitlement is $3,210.20. For 7th–8th grade ANB, the district per-ANB entitlement is $4,773 per-ANB decreased at a rate of $.50 per-ANB for each additional 7th–8th grade ANB up to 800. For each 7th–8th grade ANB over 800, the district per-ANB entitlement is $4,373.50.

Separate Budget Units. The funding formula provides for grouping pupils into separate budget units for funding purposes when schools within a district are at least 20 miles apart or when conditions exist that would create an unusual hardship for transporting students to another school. A separate budget unit allows a district to budget an additional "basic entitlement," thus increasing the district's state funding and budget authority.

Minimum and Maximum General Fund Budgets. Minimum general fund budget, or BASE budget, of a district is 80% of the district's basic entitlement, 80% of the district's per-ANB entitlement, and up to 140% of the district's special education allowable cost payment.

The maximum general fund budget of a district is the sum of the district's basic entitlement, per-ANB entitlement and up to 153% of special education allowable cost payments.

A school district must adopt a general fund budget that is at least equal to its BASE budget amount. With the following exception, a district may not adopt a general fund budget in excess of its maximum general fund budget amount. By statute, if a district's 1992–1993 general fund budget was in excess of its 1993–1994 maximum budget (as defined by law), the district's general fund budget in subsequent years may not exceed its 1992–1993 amount.

Funding the General Fund Budget. A district funds its general fund budget from the following sources:

a) Direct state aid equal to 40% of the district's basic and per-student entitlement;
b) Special education allowable cost payments from the state;
c) Non-levy revenue and reappropriated funds;
d) Local levies subsidized with GTB aid to fund up to 40% of its basic and per-student entitlement and 40% above its special education allowable cost payment; and

e) Local levies with no GTB aid for that portion of the general fund budget above the BASE budget.

Non-levy Revenue. The school funding formula requires a district to use prior year actual receipts from non-levy revenue sources as the "best estimate" for anticipating revenue to fund the ensuing year's general fund budget. These prior year amounts must match the amounts reported on the Trustees Financial Summary completed by each school district at the end of a school fiscal year.

Non-levy revenue sources include motor vehicle fees, recreational vehicle fees, out-of-state equipment fees, taxes paid on oil and natural gas production, coal gross proceeds taxes, personal property tax reimbursements, corporation license taxes paid by financial institutions, state impact aid, tuition, and investment earnings, and any other non-levy revenue received that year.

Operating and Excess Reserves. At the end of the school fiscal year, a district may reserve a portion of its fund balance as an operating reserve for the following school year. The amount reserved may not exceed 10% of the final general fund budget for the following school year.

A district may exceed the 10% reserve limit if the source of the excess reserves is the unexpended balance of any amount received from a protested tax settlement, tax audit, or delinquent taxes. State bonus payments received for consolidation of school districts may also be placed in excess reserves.

Guaranteed Tax Base Aid

Funding for the GTB was $118.5 million.

Each school district receives direct state aid for the first 40% of its basic and per-ANB entitlements. A district also receives a special education allowable cost payment from the state to fund the general fund budget. The next 40% of the basic and per-ANB entitlements plus up to 40% above the special education allowable cost payment comprise the GTB budget area. The GTB budget area is funded by monies reappropriated from the prior year, non-levy revenues, district property taxes, and state guaranteed tax base aid.

A district is eligible for guaranteed tax base aid if its GTB ratio is less than the statewide elementary or high school GTB ratio. The district's GTB ratio is the ratio of the district's taxable valuation to its GTB budget area. The statewide GTB ratio is the ratio of the statewide taxable valuation to the total GTB budget areas for all districts. The statewide guaranteed tax base ratio for 1998–1999 is calculated as follows:

175% x statewide taxable valuation (Tax Year 1997)/(total direct state aid + 40% of total special education allowable cost payments)

The statewide GTB ration is calculated separately for elementary and high school programs.

A district's guaranteed tax base ration for 1998–1999 is calculated as follows:

District taxable valuation (Tax Year 1997)/(District direct state aid + 40% of the district's special education allowable cost payments)

To calculate a district's GTB subsidy per mill, the Office of Public Instruction uses the following steps:

1) Multiply the state guaranteed tax base ratio for the elementary or high school district by the sum of the district's direct state aid and 40% of its special education allowable cost payment;
2) Subtract the district's taxable valuation; and
3) Divide the result by 1000 to calculate the GTB subsidy per mill.

If a district is GTB-eligible, each mill levied to fund the GTB budget area is subsidized with state GTB aid. A district must fund its budget with any reappropriated dollars and non-levy revenues before it levies property taxes to fund the GTB budget area.

State Share: The state share of funding for the basic support program is 40% of each district's basic and per-ANB entitlement. This 40% share is referred to as direct state aid. In addition, districts receive state special education funds to support the district's general fund budget. The BASE budget area not funded by direct state aid or special education funding is the GTB budget area. This area of the budget is funded with state guaranteed tax base (GTB) aid and local district property taxes and other revenues. State GTB aid is provided to low-wealth districts to supplement BASE budget levies. On average, each dollar of GTB aid matches $1 of district property taxes levied to fund the BASE budget.

Local Share: Local monies are used to fund the GTB budget area and the over-BASE portion of the district general fund budget. The first sources of revenue for the GTB budget area are district reappropriated monies and non-levy revenues. The remaining revenue necessary to fund the GTB budget area is generated from local property taxes, which are matched by GTB aid in eligible districts. On average, each dollar levied to fund the BASE budget is matched by $1 of GTB aid. The over-BASE portion of the budget is funded solely with local district revenues.

Weighting Procedures: The per-ANB entitlement, which drives the direct state aid payment, is greater for smaller school districts and for high school ANB. The GTB subsidy per mill is weighted toward smaller school districts. These weighting procedure are described above in How the Formula Works.

Adjustments for Special Factors: There are no additional adjustment factors that are not part of the basic and per-ANB entitlements. However, districts where 1992–1993 general fund budgets exceeded the 1993–1994 maximum may continue to budget an amount above the maximum, but they may not exceed the 1992–1993 amount.

Aid Distribution Schedule: Each district receives 10% of its direct state aid payment each month in August through October, December through April, June and July. The July payment is the last payment for the school year that ended on June 30. In November, and again in May, eligible districts receive one-half of their annual guaranteed tax base aid.

Districts Off Formula: None.

VI. TRANSPORTATION

Funding in 1998–1999: $10.4 million.

Percentage of Total State Aid: 2.3%.

Description: Districts are reimbursed for the "on-schedule" costs of transporting public school pupils to and from school. The on-schedule costs are determined by a statutory formula that reimburses at a minimum rate of 85 cents per bus mile, with additional funding for a bus with a rated capacity in excess of 45 students. Funding is reduced when the number of students assigned to a bus route is less than one-half of the bus' rated capacity. A district may levy permissively to fund transportation costs in excess of the on-schedule costs.

State and County Share: The state reimburses districts for one-half of the on-schedule costs on approved bus routes. A countywide levy generates the funding for the remainder of the on-schedule costs. In 1998–1999, the state reimbursement of $10.4 million was matched by a county reimbursement to districts of $11.4 million.

Local Share: Any budgeted costs above the state and county reimbursements are the obligation of the local district. For 1998–1999, districts budgeted for $ 26.4 million in excess of the $21.8 million from state and county transportation reimbursements.

Extent of Participation: All districts.

VII. SPECIAL EDUCATION

Special Education Allowable Costs

Funding in 1998–1999: $33.8 million.

Percentage of Total State Aid: 7.3%.

Description: The legislature appropriates funding to the Office of Public Instruction to be distributed to school districts and special education cooperatives for approved allowable special education costs. In addition to K–12 students, public school districts serve pre-kindergarten special education students. Approximately $28.7 million is distributed to school districts and $3.8 million to special education cooperatives that provide services to school districts. The remainder of the state appropriation is used to pay for the educational costs associated with students placed in residential treatment facilities.

State Share: State special education monies are distributed to school districts through a system of block grants and reimbursements. The block grants include an instructional-services grant and a related-services grant; both of these grants are distributed to districts based on the number of students (ANB) in the district. For every $3 a district expends in state special education block grant monies, the district must match the state payment with $1 of special education expenditures paid from local sources. If a district's special education expenditures exceed the state and local match requirement by more than 10%, the district becomes eligible for a reimbursement from the state.

The state appropriation for special education has not increased since 1989. This has led to a decline in the proportion of special education costs supported through state funds. School district general fund budgets have made up the difference by allocating direct state aid, GTB, and local property taxes to be spent on special education.

When the present special education funding formula was instituted in 1995, the legislature recognized a need to set aside monies to compensate districts that had extraordinary special education costs. A mechanism for reimbursing school districts that have "excessive" costs was built into the funding model.

Eligibility for reimbursements was intended to be the exception, rather than the rule. Over time, the appropriation for special education has not increased with the demand for and cost of services. As a result, more and more districts now qualify for reimbursements. As reimbursements have grown, the level of the special education block grants has fallen.

Local Share: Districts are responsible for special education costs not reimbursed by the state, including administration and operation and maintenance costs.

Extent of Participation: 451 school districts and 21 special education cooperatives.

VIII. COMPENSATORY EDUCATION

No state aid provided.

IX. GIFTED AND TALENTED EDUCATION

Funding in 1998–1999: $0.15 million.

Percentage of Total State Aid: less than 1%.

Description: The Montana Accreditation Standards require school districts to identify gifted and talented students and to provide a curriculum "commensurate with their needs." The state provides supplemental funding to local school districts through a state gifted and talented grant program. School districts apply to the Superintendent of Public Instruction to receive a gifted and talented grant for teacher training and for innovation and continuation of gifted and talented programs. The legislature appropriated $300,000 for state grants for the two-year period including 1997–1998 and 1998–1999.

State and Local Share: Each district receiving a gifted and talented grant from the state must provide equal matching funds from other district revenue.

Extent of Participation: 79 districts received gifted and talented grants in 1998–1999.

X. BILINGUAL EDUCATION

No state aid provided.

XI. EARLY CHILDHOOD EDUCATION

No state aid or program requirement.

XII. OTHER CATEGORICAL PROGRAMS

None reported.

XIII. TEACHER RETIREMENT AND BENEFITS
Teacher Retirement and Social Security

Funding in 1998-1999: $19.8 million.

Percentage of Total State Aid: 4.3%.

Description: Each district maintains a separate retirement fund for payment of federal social security and retirement premiums for district employees that participate in the state Teachers Retirement System or the Public Employees Retirement System. District retirement obligations are funded by a countywide levy, which is supplemented by state GTB aid in eligible counties.

State Share: In 1998–1999, the state funded 21.5% of district retirement costs through guaranteed tax base aid to counties. A county is eligible for GTB aid if the county mill value (the amount of revenue that one mill raises per ANB) is less than the statewide mill value. In eligible counties, the county teachers retirement levy is subsidized with state aid to bring the tax yield per ANB up to the statewide average.

Local Share: District retirement costs are funded with a permissive (non–voted) countywide levy. The levy requirements for all the districts in the county are totaled and a mill levy is assessed against all property in the county to fund teacher retirement obligations. In GTB-eligible counties, the county levy is subsidized with state GTB aid.

Extent of participation: All districts.

XIV. TECHNOLOGY

Funding in 1998–1999: $0 million.

Percentage of Total State Aid: 0%.

The state provides funding to school districts for technology acquisition and the associated technical training for school district personnel. The source of the state funding is revenue from the sale of timber from state school trust lands. The revenue from any timber sales in excess of 18 million board feet are dedicated to schools for technology. Schools did not receive any monies from this funding source in the 1998–1999 school year due to an over-distribution of monies in the 1997–1998 school year. In general, the revenue source is projected to generate $9/student annually for a school district.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Capital Outlay

Funding in 1998–1999: No state grants for capital outlay.

Debt Service

Funding in 1998–1999: $3.0 million.

Percentage of Total State Aid: less than 1%.

Description: The state reimburses eligible districts for a portion of their debt service payments on school bonds sold after July 1, 1991. (July 1, 1991 is the effective date of the Montana Supreme Court ruling declaring the state's school funding system unconstitutional.) A district's eligibility for a school facilities payment from the state is determined by comparing the district's mill value per ANB to the statewide mill value per ANB.

The first step in calculating a district's school facility payment is to calculate its school facility entitlement. The entitlement is limited to $220 per elementary ANB, $270 per 7th–8th grade ANB if the district has an approved 7th–8th-grade program, and $330 per high school ANB. The state payment for school facilities is limited to the lesser of the district's current year debt service obligation for bonds issued after July 1, 1991 or the district's school facility entitlement.

For 1998–1999, the state payment to a district is calculated as follows:

State Share x Reimbursement Limit for the district x State Appropriation/Total Costs Eligible for Reimbursement = State Payment to District

where:

State Share = [1- (District mill value per ANB/ Statewide mill value per ANB)]
Reimbursement Limit = the lesser of the district's 1998–1999 debt service obligation or its school facility entitlement.

State Share: The state share is calculated for each eligible district and is intended to equalize the yield on property taxes levied to fund debt service obligations. Districts qualified for more state payment than was appropriated by the legislature, forcing OPI to pro-rate the distribution of funds. The state appropriation of $3 million subsidized $16.3 million in debt service obligations for 51 school districts.

Local Share: The local share is the portion of the annual debt service payment not reimbursed by the state. A district uses its state reimbursement to reduce the property tax levy for the debt service fund in the next school year.

Extent of Participation: 51 school districts qualified for and received a state school facilities payment in 1998–1999.

Local Capital Project Financing

Districts may finance capital projects by selling school bonds for up to 20 years and/or by establishing a building reserve to finance a building project on a-pay-as-you-go basis. Both of these financing mechanisms require voter approval.

In order for a school bond election to be approved, the voter turnout at the election must be at least 30%. If the turnout is greater than 30%, but less than 40%, a supermajority of 60% or greater is required for passage of the bond election. If the voter turnout is 40% or more, the bond may be approved by a majority of those voting in the election. The election for a school bond may be called by the school board or through a petition process if 20% of the district voters petition the school board for the election.

A district may establish a building reserve to levy in annual installments to finance specific projects approved by the voters for up to a 20-year term.

Through the sale of bonds or establishment of a building reserve, a district may indebt itself up to the greater of 45% of the district's taxable valuation or 45% of the statewide mill value per pupil times 1,000 times the ANB of the district. In 1998–1999, the statewide mill value per elementary ANB is $20.29 and per high school ANB is $44.33. The state payment for school facilities helps a district meet the higher debt service payments associated with increasing the district’s debt limit.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

The State of Montana has not established any outcome or performance measures that have a fiscal consequence.

XVII. REWARDS/SANCTIONS

The State of Montana has not established any rewards or sanctions that have a fiscal consequence.

XVIII . FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

The State of Montana has not established any unique or different funding sources for non-traditional schools. If a school district establishes an alternative high school or a magnet school, the district receives funding for that school under the same formula (based upon the district enrollment) as for traditional schools.

The State of Montana has not adopted charter school legislation.

XIX. AID TO PRIVATE SCHOOLS

The State of Montana does not provide state aid to private schools.

XX. RECENT/PENDING LITIGATION

The Montana Supreme Court declared the school funding system unconstitutional in *Helena v. State*, 769 P.2d 684 (Mont. 1989). In 1993, the legislature adopted a school funding formula, which establishes minimum and maximum spending limits for all school districts (with the exceptions noted under the Spending Limit section). The funding formula and minimum spending requirements were phased-in over a five-year period and were fully implemented by July 1, 1997. There is no pending litigation related to school finance at this time.

XXI. SPECIAL TOPICS

None reported.