

Bozeman Public Schools



2020-21 Adopted Budget

Introductory Section/Executive Summary



Bozeman Public Schools

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DATE: August 17, 2020

TO: Board Chair
Members of the Board of Trustees

FROM: Mike Waterman, Director of Business Services

RE: 2020-21 Budget Overview

On August 17, 2020, the Bozeman School District Board of Trustees adopted its budget for the 2020-21 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2020-21 budgets. This overview is organized into three sections: organizational, financial, and informational. The budget document contains additional information on all of these topics.

ORGANIZATIONAL SECTION

Board of Trustees

An eight-member Board of Trustees is responsible for the governance of the District. Board members are elected by the voters of the District and serve overlapping three-year terms. The current Board members, the expiration dates of their respective terms, the total number of years of Board service, and their respective occupations are as follows:

Board Member	Term Expires May,	Total Time Served on Board	Occupation
Sandra Wilson, Chair	2021	5.5 years	Retired Teacher
Greg Neil, Vice Chair	2023	3.5 years	Insurance Agent
Kevin Black	2023	Newly Elected	Real Estate Agent
Douglas Fischer	2021	5 years	Journalist
Gary Lusin	2021	14.5 years	Physical Therapist
Tanya Reinhardt	2022	4 years	Business Consultant
Wendy Tage	2021	10.5 years	Homemaker
Andrew Willett	2022	7.5 years	Attorney

Source: District records

Executive Administration

In Montana, the Board of Trustees alone has the ability to hire and fire staff. The Bozeman School District staff is organized into three branches. A Deputy Superintendent leads each branch, and each Deputy Superintendent reports to the Superintendent.

Mr. Robert Connors has served as Superintendent since July 1, 2019. Prior to moving to Bozeman, Mr. Connors served as Superintendent for the Glasgow Public Schools for 7 years. Mr. Steve Johnson, CPA, is the District's Deputy Superintendent Operations and has been employed by the District since 1986. Dr. Marilyn King serves as the District's Deputy Superintendent Instruction. Dr. King has worked for the Bozeman School District since 1999. This year, the District added a third Deputy Superintendent as part of an administrative restructure: Casey Bertram now serves as the Deputy Superintendent Curriculum and Technology. Mr. Bertram was formerly the principal at Hawthorne Elementary and has been with the District since 2013.

Major Goals and Objectives – Long Range Strategic Plan

One of the primary functions the Board and Administrators serve is to develop and implement the District's Long Range Strategic Plan (LRSP). Bozeman Public Schools launched a strategic planning process in the fall of 2007 to bring more rigor to the goals setting process; to ensure the wants, preferences, and needs of our community are well understood; and to strategically focus our resources. In so doing, the group reviewed and updated existing mission, vision and goal statements for the District. This type of systematic review will be an ongoing element of our strategic planning, evaluation, and budgeting processes.

The LRSP includes a very long-term vision to guide us over the next twenty years. With this vision in mind, the District then established interim five-year goals and identified trends and issues that are likely to have significant impact on achieving those goals. The Board has committed itself to studying and analyzing these issues in a proactive manner to ensure the District is best positioned to deliver on our long-term vision.

The LRSP, which can be accessed [online](#), centers around four Goal Areas:

1. Academic Performance. Each student meets or exceeds the high academic standards necessary for college and career readiness.
2. Operations and Capacity Building. District operations, facilities, and human resources promote an efficient and innovative educational system.
3. Community Engagement and Partnerships. Bozeman Public Schools has created an environment in which all education stakeholders at the local, state, and national level are supportive, engaged, and contribute to successfully educating our students.
4. Student and Staff Safety, Health, and Welfare. Bozeman Public Schools has effective systems in place for students and staff to learn and work in a safe and healthy environment.

With these goals in mind, the trustees and administrators establish specific strategic objectives and action plans each year. Annual reports assess the District's progress toward these goals at the conclusion of each year.

The LRSP is the focal point of the budget development process. Creating a budget that positions the District to meet these goals takes a good deal of time, and the 2020-21 budget has been in the planning stages since August 2019.

Budget Development Process and Timeline

Each fall, the Board of Trustees formalizes a calendar for the development of the ensuing year's budget. The calendar, which changes very little from year to year, establishes deadlines and assigns responsibility for each step in the budget development process. Generally, the budget development process begins each fall with enrollment counts and developing a framework for the budget. In the winter, administrators and the District Budget Committee prepare and prioritize additional requests. Final budget limits become known after the annual May election, and in odd-numbered years, the adjournment of the Montana legislature. Over the summer, the Business Office finalizes budgets, receives the taxable values, and prepares the budget for Board approval in August.

There were no changes from the 2019-20 budget process or policies. In compliance with Montana law, the adoption of the final 2020-21 budget occurred August 17, 2020.

Allocation of Human and Financial Resources

Human and financial resources are generally allocated based on the number of students enrolled in a school's attendance area. Management reserves the right to redistribute resources to accommodate enrollment shifts and educational needs within the District in conjunction with the goals specified in the LRSP. Teachers and paraprofessionals are assigned to buildings to meet Montana's accreditation standards and to address goals established in the LRSP. Specialized staff, including special education and Title staff, are assigned based on need and program qualification.

FINANCIAL SECTION

Overall, the Bozeman School District's finances remain very healthy. Voted levy requests continue to pass in our community, reserves are currently at their legally-allowed maximums, and our tax impact remains reasonable. As further testament to this fact, Moody's reaffirmed the High School District's bond rating of Aa2 in August 2019 in anticipation of a new high school bond issue. The bond rating is the highest of any school district in Montana. Moody's cites several factors—the District's diverse and growing tax base, the strong institutional presence of Montana State University, healthy financial position with growing reserves, and a manageable debt profile—for the rating. The District is pleased with this rating—not only for the interest savings on our recent bond issue and refinances, but because it is indicative of the District and community's overall financial health.

Budget Overview

The State of Montana establishes eleven budgeted funds: accounting units whose spending authority is determined annually by the Board of Trustees. The Bozeman School District uses ten of these eleven budgeted funds. The Districts' spending authority in these budgeted funds is increasing to meet the needs of our growing student population. As the following table shows, the total combined elementary and high school expenditure budgets for all budgeted funds in 2020-21 is \$101,888,305. This total represents an increase of \$6,411,754 (6.7%) over 2019-20 and the first time the total budgets have exceeded \$100 million:

	FY2019-20	FY2020-21		
	Budget	Budget	Change \$	Change %
General	\$ 52,274,490	53,782,305	\$ 1,507,815	2.9%
Debt Service	17,670,568	18,426,070	755,502	4.3%
Building Reserve	10,419,199	13,350,457	2,931,258	28.1%
Retirement	8,200,000	8,450,000	250,000	3.0%
Transportation	3,283,860	4,111,420	827,560	25.2%
Technology	1,728,573	2,012,785	284,212	16.4%
Adult Education	401,280	383,166	-18,114	-4.5%
Bus Depreciation	599,421	609,102	9,681	1.6%
Tuition	891,160	755,000	-136,160	-15.3%
Flexibility	8,000	8,000	0	0.0%
Total K-12	\$ 95,476,551	\$ 101,888,305	\$ 6,411,754	6.7%

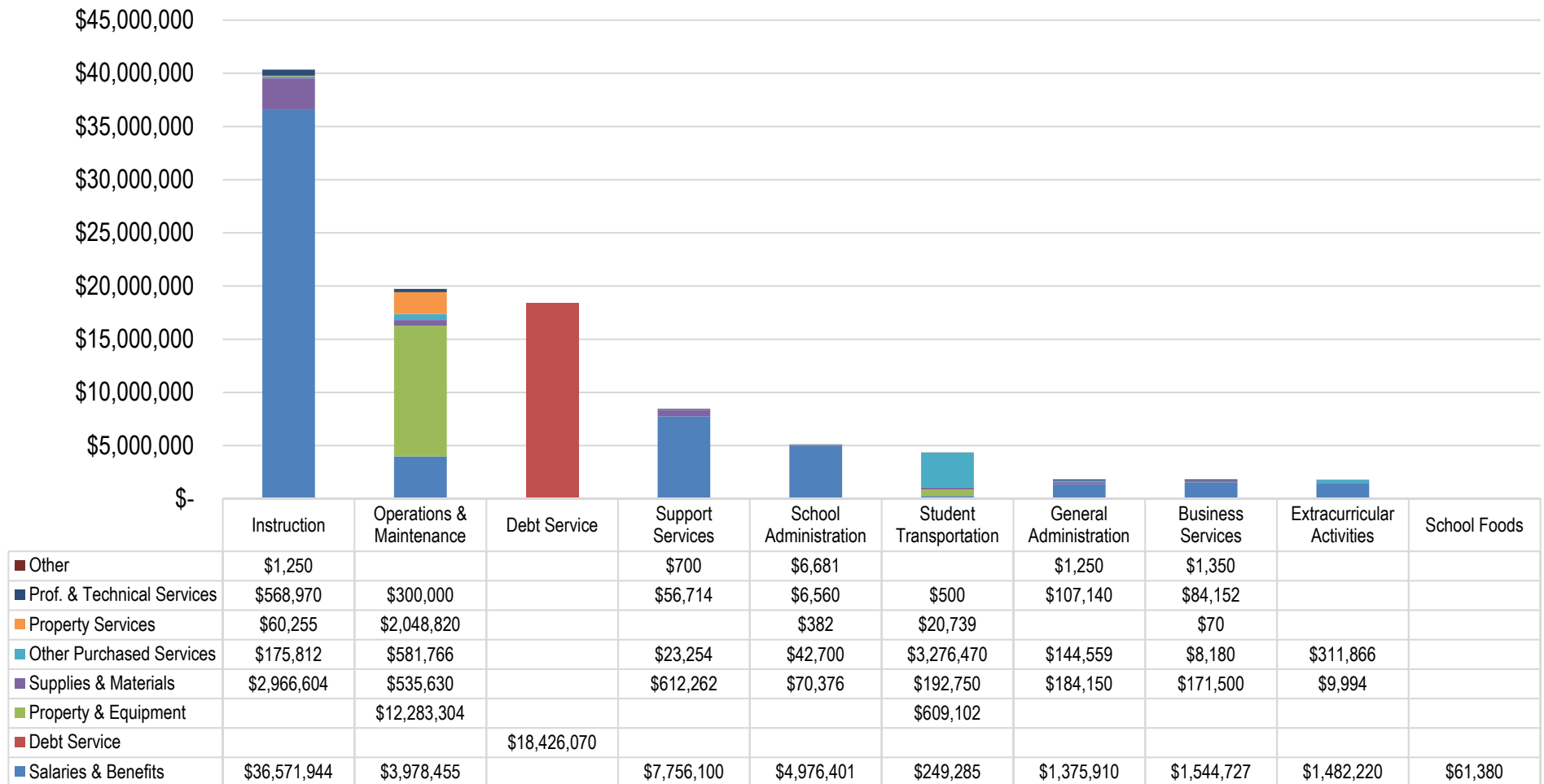
Source: District records

Expenditure Summary

Expenditures in Montana are categorized in several ways, most notably by “function” and “object”. *Function* refers to the purpose for which an activity or program exists or is used, while *object* refers to the specific good or service obtained.

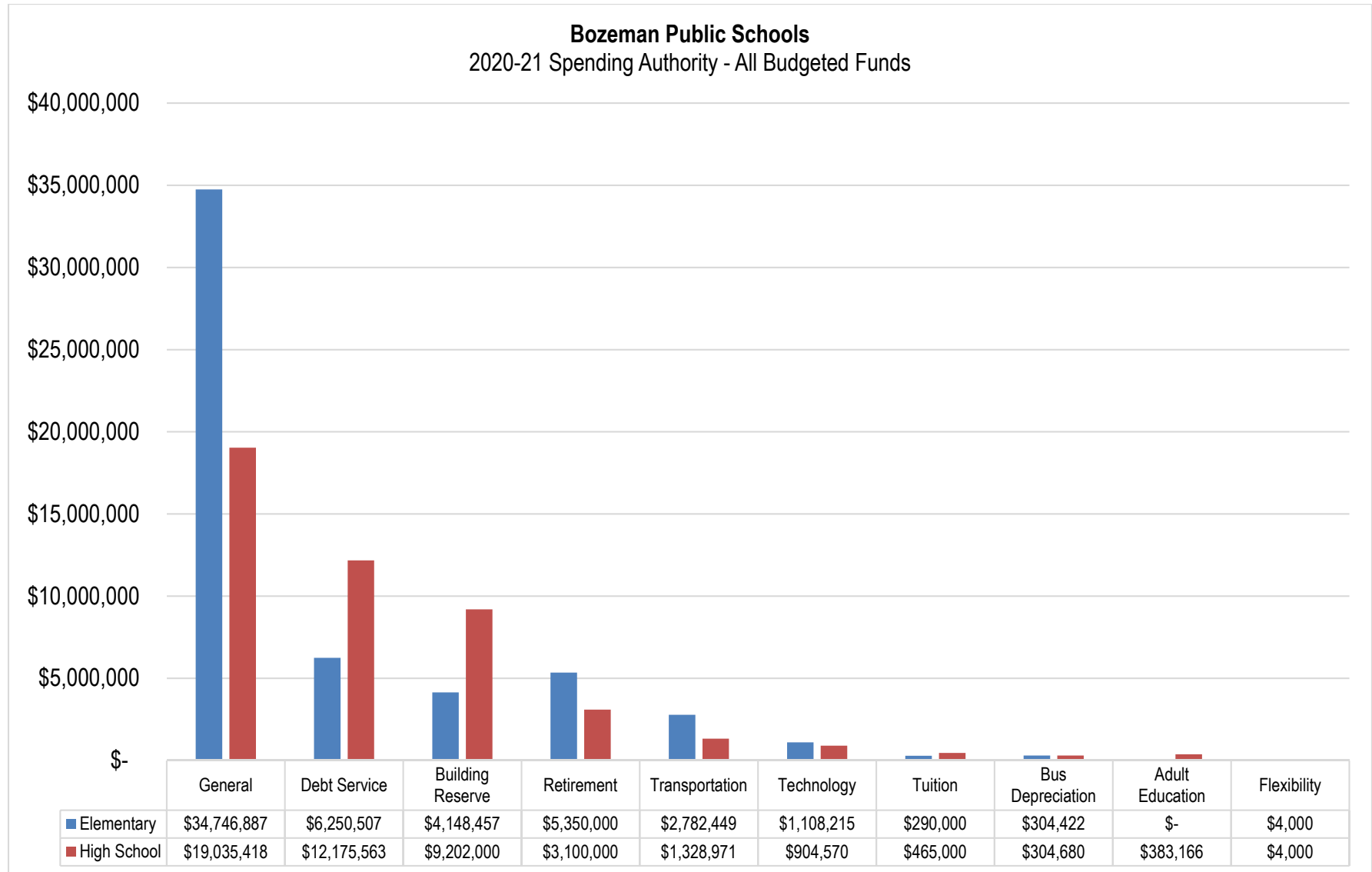
Of the \$101,888,305 in total budgeted expenditures, the District plans to spend \$40,344,825 (40%) on Instruction and \$57,996,423 (57%) on Salaries and Benefits – the largest single function and object amounts, respectively. The following graph summarizes total budgeted expenditures by function and object:

Bozeman Public Schools 2020-21
Expenditure Budgets by Function and Object



Source: District records

The adopted budget and spending limit for each of the Elementary and High School Districts' funds are shown below:



Source: District records

The budget document further details these planned expenditures.

Significant Trends, Events, and Initiatives

There were no significant changes in the District's demographics this year. Notable financial budget changes in FY2020-21 include:

- COVID-19. Perhaps the most significant event affecting the District this year is the impacts of the coronavirus pandemic, or COVID-19. On August 10, 2020, the Districts' Boards of Trustees voted to begin the 2020-21 school year under a 'blended' instructional model. Designed to limit interactions and slow the spread of the virus, the model divides the student body approximately in half (shown below as 'Group A' and 'Group B') with schedules as follows:

	Monday	Tuesday	Wednesday	Thursday	Friday
PK-12 Blended Learning Plan	Group A: In-Person Group B: Remote	Group A: In-Person Group B: Remote	<ul style="list-style-type: none">• Most Students Remote• In-Person Intervention Groups for Some Students• Deep Cleaning• Teacher Prep	Group B: In-Person Group A: Remote	Group B: In-Person Group A: Remote

Students will likely be grouped by last name, but Group assignments had not been finalized at the time of budget adoption.

Although this temporary schedule obviously has budget implications for the District, many aspects of the budget—including spending authority and tax levies—must be set. As a result, the District will have to work within those parameters many of which are still being determined. State law requires teacher and administrative contracts to be issued in the spring, before the budget year even begins—so staffing levels and cost structures for those positions are essentially fixed at this time. The District does have more flexibility in hiring hourly positions, and discussions are underway regarding the number of staff needed to function under this model.

It is not known how long the District will remain in this blended model, so it was necessary to budget for a full year of 'normal' costs and staffing levels. Unless otherwise noted, the adopted budgets discussed in this document provide for staffing levels under a 'normal' model.

The District did receive several one-time allocations and grants specifically offset the impacts of COVID-19. Most of those grants are not accounted for in budgeted funds, so they are not detailed in this document. However, an overview of those allocations is available in the Financial Section of this document under the title of 'Nonbudgeted Funds.' Additionally, the District's reserves are all at their legally-allowed maximums, and those reserves provide another level of stability to fund unforeseen costs that may arise.

- \$1,507,815 increase in the General Funds. The State of Montana establishes caps for school district General Fund spending in the state. At the most basic level, those caps are a function of enrollment and a series of legislatively-determined rates. For the upcoming budget year, the Bozeman School District General Fund budgets will grow due to increases in both factors. The budget growth results from elementary and high school Average Number Belonging (“ANB” - a factor of enrollment) increases of 28 and 122, respectively.

The 2019 legislature also increased the funding rates by 0.91% in 2019-20 and 1.83% in 2020-21. State law requires these factors to be increased by a derivative of historical CPI inflation figures, and the legislature approved the increases in accordance with this law.

One of the most important scrutinized measures of our General Funds is their ‘structural balance’: a comparison of planned General Fund costs and the spending authority available to fund them. This year, the Elementary and High School General Funds both have structural imbalances which total to \$5,878,476 (10.93%) system-wide:

	Elementary	High School	K-12 Total
General Fund Budget Limit	\$ 34,746,887	\$ 19,035,418	\$ 53,782,305
Budgeted General Fund Expenditures	\$ 37,241,363	\$ 22,419,418	\$ 59,660,781
Remaining Capacity/(Structural Imbalance)	\$ (2,494,476)	\$ (3,384,000)	\$ (5,878,476)

Source: District records

In 2019-20, the District’s K-12 budgeted structural imbalance was \$736,284, so this year’s increase is quite significant. The reasons for the increase include:

- Opening Gallatin High School. Gallatin High School, the District’s second high school, opens in August 2020. The economies of scale the District has historically enjoyed with one large high school will cease when the new facility opens. Additional annual budget impact of the new high school is estimated at \$2.4 million. The new costs include:
 - 15.4 new certified FTE
 - 1.0 new administrative FTE
 - 10.0 new custodian FTE
 - Additional utility costs
 - Doubling of the District’s extracurricular offerings
- Decision to forego additional General Fund levy requests. In March 2020, the Board of Trustees opted not to seek voter approval for an annual General Fund operating levy. The decision reversed an earlier one and was made in light of the economic uncertainty associated with the COVID-19 pandemic. As a result of the decision, the Elementary and High School Districts’ General Fund budgets will be below the state-authorized maximums. The levy requests would have increased spending authority, reduced the structural imbalances, and increased local property taxes by \$305,000 and \$364,000 in the Elementary and High School Districts, respectively.

- Addition of curriculum budget. Over a decade ago, the District removed a curriculum line item from the General Fund budgets. Those line items provided funds for new textbook and curriculum adoptions. At the time, the decision was made in anticipation of using open source or District-originated curriculum materials, and the amounts allocated for curriculum were negotiated into the salary schedules to compensate staff for the extra work associated with using these materials. That plan worked temporarily, but in recent years the demand for new, externally produced curriculum materials has resurfaced. To address those needs, \$300,000 and \$100,000 curriculum line items were added to the Elementary and High School General Funds this year, respectively. The amounts contribute to the structural imbalance, but were added because they are a necessary cost of sustaining District operations.

Since Montana law requires a balanced General Fund budget, the District will use budgeted contingency amounts, the new voter-approved Transition Levy (described in the next section), and non-renewable/one-time resources to balance the budget.

- \$2,931,258 increase in the Building Reserve Funds. In May 2020, Bozeman High School voters approved a new six-year, \$1 million per year Transition Levy to supplement our savings and provide for higher operational costs while the district grows into our new Gallatin High School facility. The levy is limited to the lesser of the voter-approved maximum of \$1 million per year or 5% of the District's adopted General Fund budget. In 2020-21, the District's General Fund budget is \$19,035,418, so the Transition Levy this year is limited to \$951,770.

The High School Building Reserve Fund will also grow due to funds carried over from the prior year. Bond-funded construction is underway at both High Schools, and these projects are addressing many of the ongoing maintenance projects that would normally be funded through Building Reserve funds. With more space to maintain, the additional carryover funds will benefit the District in the years to come.

In total, the Building Reserve Fund budgets will increase by 28.1% in 2020-21.

- \$827,560 increase in the Transportation Funds. The opening of Gallatin High School caused significant changes in both the Elementary and High School Transportation Fund budgets. To accommodate the new building, six new regular education routes, two special education routes, and a new transfer site at Gallatin High School were added. The addition of the transfer site allowed for a restructure of all routes, K-12. Additionally, a new Coronavirus Relief Fund revenue was established at the state level, and the budget was increased to accommodate that revenue and additional transportation costs associated with COVID-19.
- \$755,502 increase in the Debt Service Funds. On May 2, 2017, Bozeman High School voters approved \$125 million in new bonds to finance construction of a Gallatin High School and renovations to Bozeman High School. The first \$100 million was issued in 2017 and payments have been included in the Debt Service Fund budget since that time.



currently on time and within the established budget.

The District will open Gallatin High School to freshmen, sophomores, and juniors in the fall of 2020. In the fall of 2021, all four high school grades will attend the school.

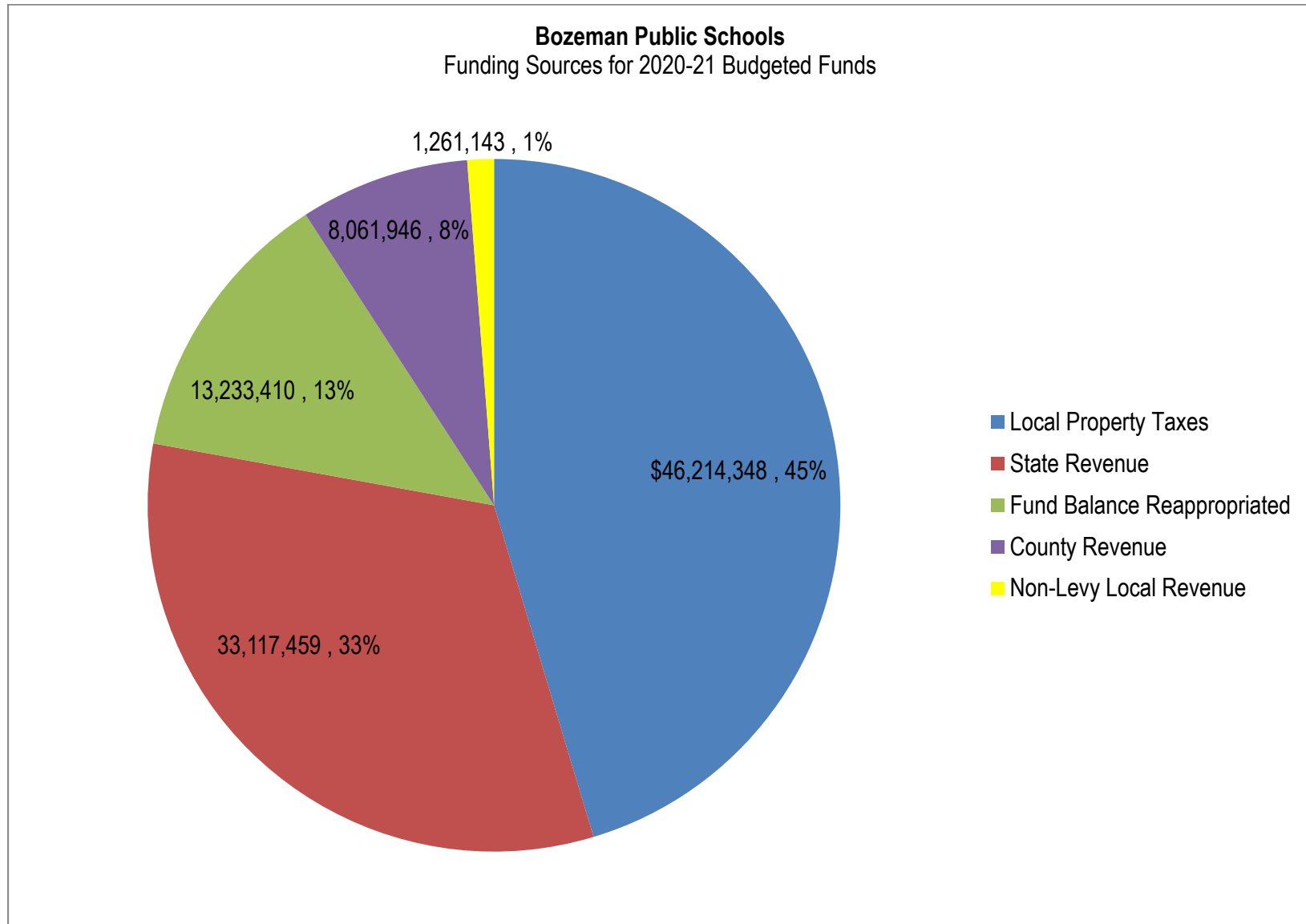
Each budget is explained in detail on the corresponding pages of the Financial Section.

The remaining \$25 million authorized in that election was issued in August 2019. The 2019-20 payments associated with that most recent issue (\$666,610) were included in the 2019-20 budget and paid using bond proceeds. In 2020-21, the payments for that issue will increase (\$1,537,300) and be funded with taxpayer dollars for the first time. The total debt service cost for the two bond issues is less than projected at the time of the election: at the election, the cost was estimated at \$6.97 per month per \$100,000 home value; the highest actual cost was \$4.59 per month per \$100,000 home value—66% of the estimate.

The authorized projects include construction of Gallatin High School along with renovations to Bozeman High School and the Bozeman High School site, including Van Winkle stadium. As of the date of this document, Gallatin High School is 100% complete, while the demolition and remodel of Bozeman High School and additional site work started in May 2020. All projects are

Revenue Summary

Each budget is fully funded by a combination of fund balance remaining from the previous fiscal year (fund balance reappropriated), non-levy revenue, and levied local taxes. The \$101,888,305 in expenditure budgets adopted for 2020-21 will be funded as follows:



The following table compared these budgeted funding sources for 2020-21 with those budgeted for the prior year:

	2019-20	2020-21	Change
Local Property Taxes	\$ 44,604,925	\$ 46,214,348	\$ 1,609,422
Non-Levy Revenue	40,088,659	42,440,548	2,351,889
Fund Balance Reappropriated	10,782,965	13,233,410	2,450,444
Total	\$ 95,476,550	\$ 101,888,305	\$ 6,411,755

Source: District records

As with the expenditures, the budget document details these revenue sources.

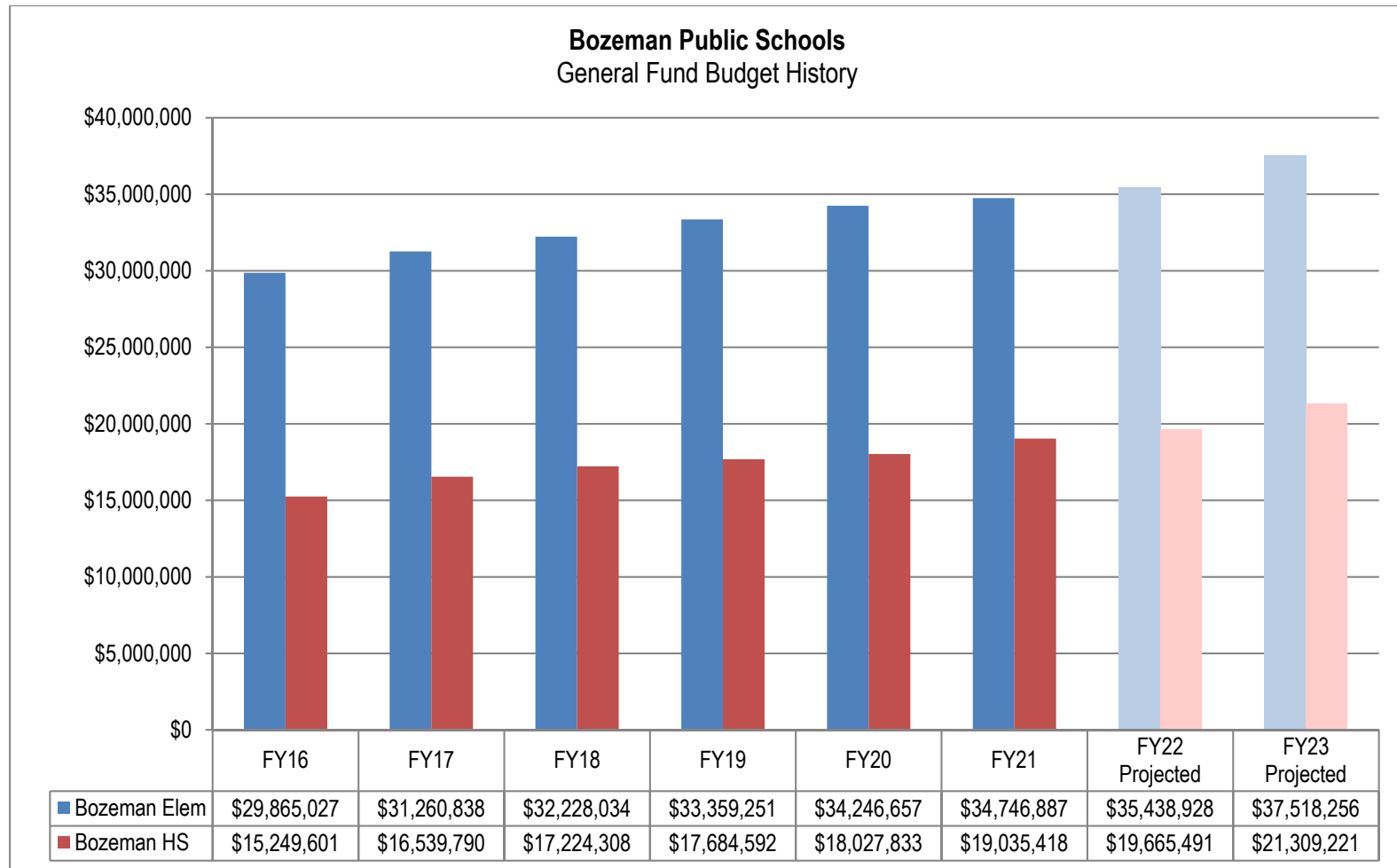
Budget Forecast

School finance in Montana differs from other states, and even other local governments within the state. Montana school operating budgets are unusual in that they are not contingent on taxable values and tax receipts. Rather, a series of factors--primarily enrollment and legislatively-determined rates--determine our legal spending authority each year. While we must maintain adequate cash flow, schools can spend up to these budget limits without regard to revenue collections.

This system has both advantages and drawbacks. The primary benefit is obvious: districts know their hard spending limits with certainty at the start of each year. There are also drawbacks to the system. In particular, the system essentially mandates year-to-year budgeting and limits our long-range planning ability.

The Montana legislature convenes in odd-numbered years, and they inevitably adjust the school funding formula each session. The 2019 session established the funding formula for the 2019-20 and 2020-21 fiscal years. Current law provides that the building blocks of our General Funds will increase by the lesser of the cube root of the CPI inflation index change between the fifth and second prior year or 3 percent, whichever is less. Actual CPI inflation for the most recent two years (2018 and 2019) was 2.07% and 1.55%, respectively; however, the formula prescribed in law resulted in inflationary amounts of 0.91% and 1.83% in 2019-20 and 2020-21, respectively. These amounts were funded by the legislature.

Given that each year's budget hinges on the prior year's actual enrollment and rates that change every other year, the system effectively precludes Montana schools from developing long range budgets beyond the next legislative session. As a result of these issues, we do not believe it is in our stakeholders' best interests to project budgets beyond the upcoming biennium. We therefore limit our long-range budget planning to that horizon. The following graph shows the District's historical and projected General Fund budget amounts:



Source: District records

Despite our limited ability to project long-range budgets, the District does have an eye on what opening a Gallatin High School will mean to our operating budgets. As noted above, the outgoing one-high school model allowed for significant efficiencies of scale. Many of those efficiencies will be lost when Gallatin High School opens this year. Administration currently estimates opening Gallatin High School will require around \$2.4 million per year in additional operating costs in today's dollars—roughly 12% of our annual High School operating budget. The State of Montana's funding formula sets maximum spending levels in an attempt to equalize per-student spending across the state. The Bozeman School District is near the cap, so no additional funds will become available when the school opens its doors.

As a result, the District took several steps to address this looming issue. The methods used to address the projected operating budget shortfall include:

1. Conservative operational budgeting leading up to 2020-21. The District worked to build "contingency" amounts into the budgets for the years leading up to the opening of a Gallatin High School. The unspent money has been transferred to the Interlocal Agreement Fund where it has accumulated to serve as a

temporary source of money to help with the transition to two high schools. More importantly, conservative budgeting built ongoing uncommitted budget capacity in the General Fund that can now be committed to pay for the additional costs.

This strategy allowed the new budget deficit to be spread over a number of years rather than being absorbed all in one year. While appealing from this perspective, this option is not without drawbacks. Conservative budgeting reduced the money that was spent on prior year students and programs. It also impacted the District's ability to provide wage and benefit increases for staff.

2. Obtain voter approval for a temporary 'transition' levy. As noted above, Bozeman High School voters approved a new six-year \$1 million levy per year Transition Levy to supplement our savings and provide for higher operational costs while the district grows into our new Gallatin High School facility. The levy is limited to the lesser of the voter-approved maximum of \$1 million per year or 5% of the District's adopted General Fund budget. In 2020-21, the District's General Fund budget is \$19,035,418, so the Transition Levy this year is limited to \$951,770.

These steps have positioned the District to spread the transition costs over a four- to ten-year period. If reductions ultimately become necessary, however, the District will need to develop a comprehensive list of programs and positions that are not required by the accreditation standards. The list will need to be developed, debated and prioritized.

The District also keeps an eye to the future in its other budgeted funds. Anticipated upcoming changes in those funds include:

- Debt Service Funds. As our K-5 elementary buildings near capacity, the District will spend significant time this year discussing the right time to approach voters for approval to build the District's ninth K-5 elementary building. A two-year gap in our Elementary debt service payments will begin in 2021-22, so it would be advantageous from a taxation perspective to move forward with this request in May 2021 regular school election. If the District does not choose to proceed with a levy request at that time, the Elementary Debt Service levy will drop by almost \$1.1 million in 2021-22.

No significant changes are anticipated in the High School Debt Service Fund.

- Building Reserve Funds. A change is expected in the High School Transition Levy amount. As noted above, the levy is limited to the lesser of the voter-approved maximum of \$1 million per year or 5% of the District's adopted General Fund budget. The 2020-21 Transition Levy was limited to \$951,770 based on the District's adopted General Fund budget, but administration expects that levy to reach its voter-approved \$1 million maximum in the very near future. As with the rest of the transition levy, the District must offset that \$48,230 increase at some other place in the High School tax structure.

The District will also continue to monitor its permissive levy abilities as allowed by law, and leverage those levies with anticipated state funding to maximize the buying power and value of the taxpayers' dollars. Currently, the maximum amounts accessible to the Elementary and High School Districts are \$512,600 and \$243,800, respectively, and these are the amounts included in the current year budget.

- Transportation Funds. The primary drivers of the Transportation Fund budget are route count and bus miles driven. No significant changes are anticipated in either factor. However, District taxpayers received a significant boost because the District did not pay for over \$685,000 in routes that did not run during the spring 2020 COVID-related school closure. Additionally, a \$386,000 settlement reached with First Student to compensate local drivers during that time was charged to a one-time federal grant awarded to assist with COVID-related costs. These steps increased the ending fund balances in both Transportation Funds, and ultimately provided dollar-for-dollar tax relief back to our taxpayers.

The COVID situation may impact the 2021-22 budgets as well. Although the District budgeted for all ‘normal’ routes to run, changes to the school calendar and/or structure may necessitate the need for changes to some bus routes. If that happens, the District will again look to one-time funding sources for these COVID-related costs in hopes of maintaining a lower tax impact.

- Technology Funds. Although no significant changes are anticipated in the immediate future, the District is closely monitoring the adequacy of the High School Technology Fund in particular. Costs charged to that fund typically exceed the revenue afforded by a fixed \$200,000 per year levy, so fund balance has been decreasing over time. On a one-time basis, the High School General Fund was able to absorb most of the costs typically paid out of the High School Technology Fund in 2019-20. That cash injection removes some of the urgency from the discussion, but the District will still need to address sustainability in that fund soon.
- Adult Education Funds. No significant changes are anticipated.
- Tuition Funds. No significant changes are anticipated.
- Bus Depreciation Funds. No significant changes are anticipated.

These changes are primarily the result of known or expected events and the execution of long-term plans. It is important to note, however, that unexpected changes can occur that might significantly alter these projections.

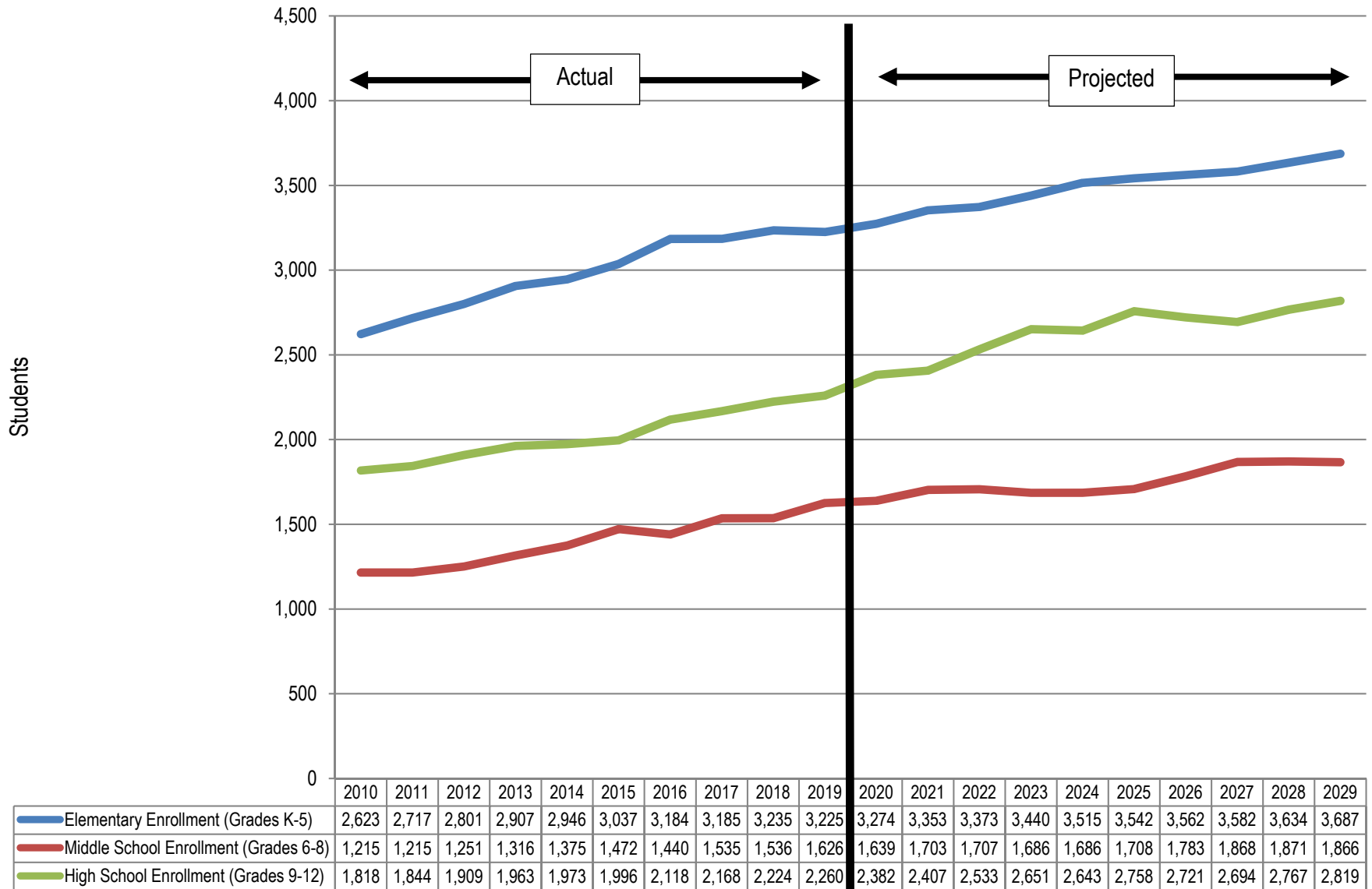
INFORMATIONAL SECTION

This section of the budget document includes information on enrollment, taxation, personnel, and debt.

Enrollment

Enrollment represents the single most important factor in determining the District’s General Fund operating budget. As the graph below indicates, Bozeman School District’s enrollment continues to grow. K-12 student populations have increased by 26% over the past ten years. Our projections—based on information received from the State of Montana, Gallatin County, and Bozeman Health—indicate this growth will continue into the foreseeable future.

Bozeman Public Schools
Actual and Projected Enrollment
October 1,



Source: District records

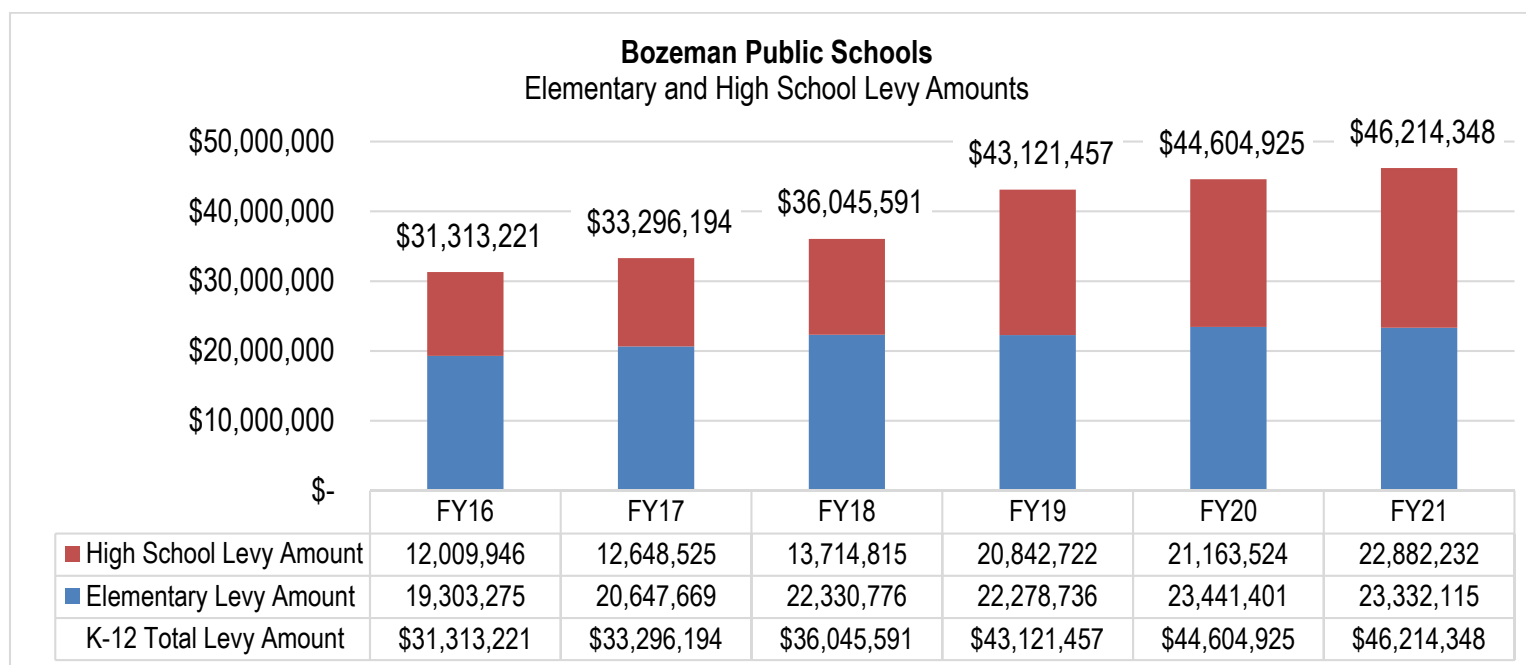
Overall, the District expects enrollment to increase by 184 students (2.6%) from 2019-20 to 2020-21:

	October 1, 2019 Actual Enrollment	October 1, 2020 Anticipated Enrollment	Anticipated Change
Elementary (grades K-5)	3,225	3,274	49
Middle School (grades 6-8)	1,626	1,639	13
High School (grades 9-12)	2,260	2,382	122
Total (K-12)	7,111	7,295	184

Source: District records

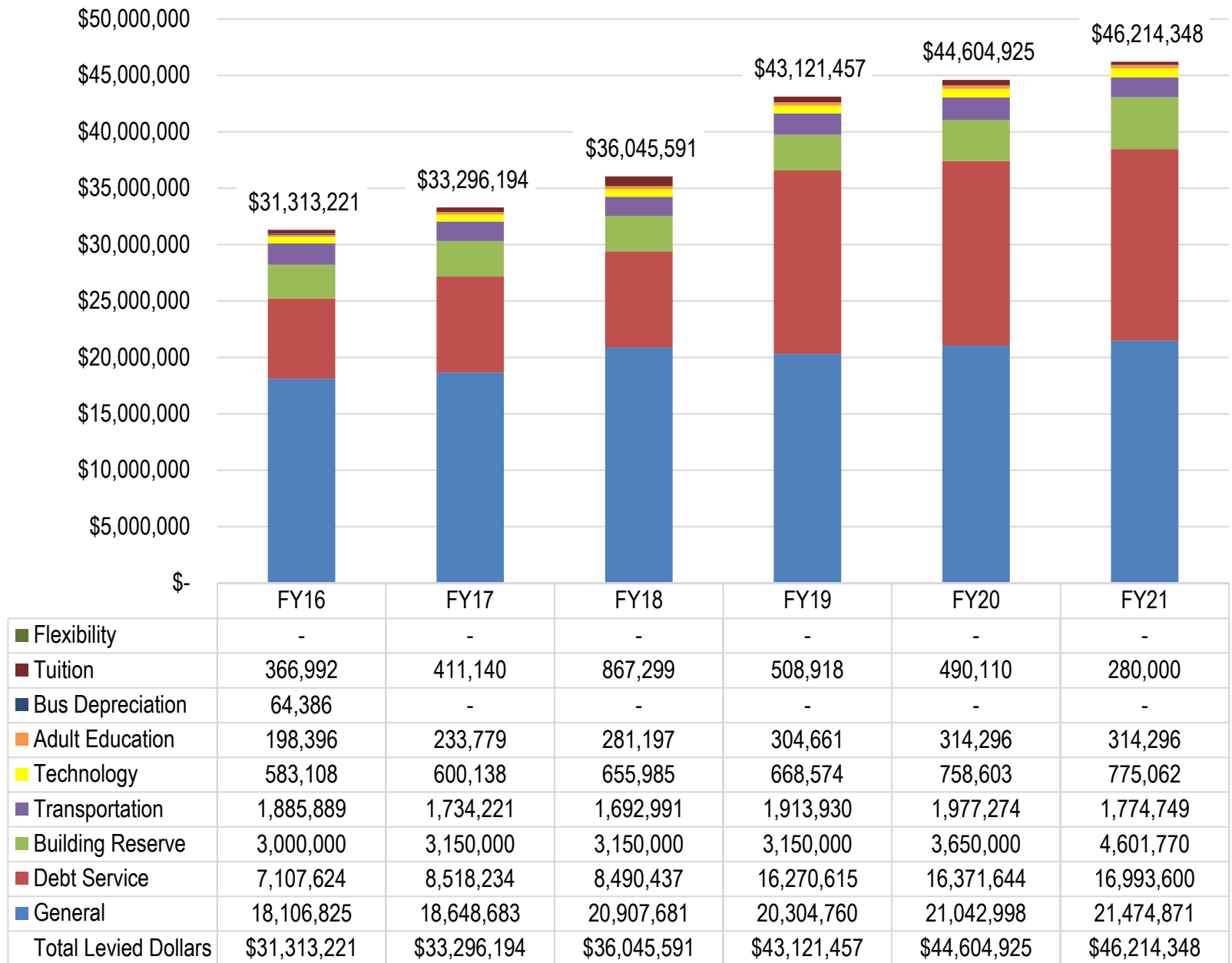
Taxation

Montana does not have a general sales tax, and income tax revenue goes directly to the State Department of Revenue. As a result, local property taxes are a primary funding source for school budgets. As Bozeman's budgets grow, local property tax levies continue to increase as well. The FY2020-21 budget is funded by \$46,214,348 in property taxes, an increase of \$1,609,422 (3.6%) over FY2020. The following graphs detail those amounts by District and then by fund:



Source: District records

Bozeman Public Schools
K-12 Levied Dollars - All Funds



Source: District records

The largest tax increases occurred in the General, Building Reserve, and Technology Funds. Together, these funds account for 93% of the 2020-21 tax increase:

- General Funds: \$431,873 tax increase. Although the District did not request an additional General Fund operating levy this year, a tax increase is still required. General Fund BASE budget taxes are the only taxes mandated by the Montana Legislature. Three factors—enrollment, legislatively-decided rates, and the district's taxable value per student relative to the statewide average—generally determine the General Fund BASE levies. All three factors increased for the Bozeman School Districts this year, and it follows that the BASE budget levies increased as well.
- Building Reserve Funds: \$951,970 tax increase. In May 2020, Bozeman High School voters approved a new six-year \$1 million levy per year Transition Levy to supplement our savings and provide for higher operational costs while the district grows into our new Gallatin High School facility. The levy is limited to the lesser of the voter-approved maximum of \$1 million per year or 5% of the District's adopted General Fund budget. In 2020-21, the District's General Fund budget is \$19,035,418, so the Transition Levy this year is limited to \$951,770—the amount of the increase.

As promised on the ballot, *the District will use available funds to completely offset the Transition Levy's tax impact.* In the first four years of the levy, the offset will come in the High School Debt Service Fund, described below. Offsets for the final two years of the Transition Levy have not yet been identified. However, ballot language prohibits taxing for the Transition Levy if offsets cannot be found.

Both the Districts also levied permissively in the Building Reserve funds in 2020-21. However, the amounts of those permissive levies were made to exactly offset reductions to voter-approved Building Reserve levies. As a result, the District was able to leverage its levies to generate additional state funding while still maintaining the net Building Reserve levies at the voter-approved amounts.

- Debt Service Funds, \$621,956 tax increase. On May 2, 2017, Bozeman High School voters approved \$125 million in new bonds to finance construction of a Gallatin High School and renovations to Bozeman High School. The final \$25 million authorized in that election was issued in August 2019. The 2019-20 payments associated with that issue (\$666,610) were included in the 2019-20 budget and paid using bond proceeds. In 2020-21, the payments for that issue will increase (\$1,537,300) and be funded with taxpayer dollars for the first time.

That increase was partially negated by a \$951,770 reduction to match the new Building Reserve Transition Levy. The offset funds—investment earnings on the construction bond proceeds—can currently only be used on facilities. Although facility needs definitely exist, the Trustees determined that operational funding and tax relief are higher priorities for our District and community. To that end, the District committed to redirect these investment proceeds for tax relief to offset the burden of the new Transition Levy.

The following table recaps the changes to the 2020-21 High School Debt Service Levy:

	Levy Amount
2019-20 High School Debt Service Levy Amount	\$ 10,616,630
2020-21 Changes:	
Plus: New Payment for 2019 Bond Issue	\$ 1,537,300
Less: Bond Interest Earning to Offset Transition Levy	(951,770)
Other Debt Schedule Changes	18,633
Total 2020-21 Changes	\$ 604,163
2020-21 High School Debt Service Levy Amount	\$ 11,220,793

Source: District records

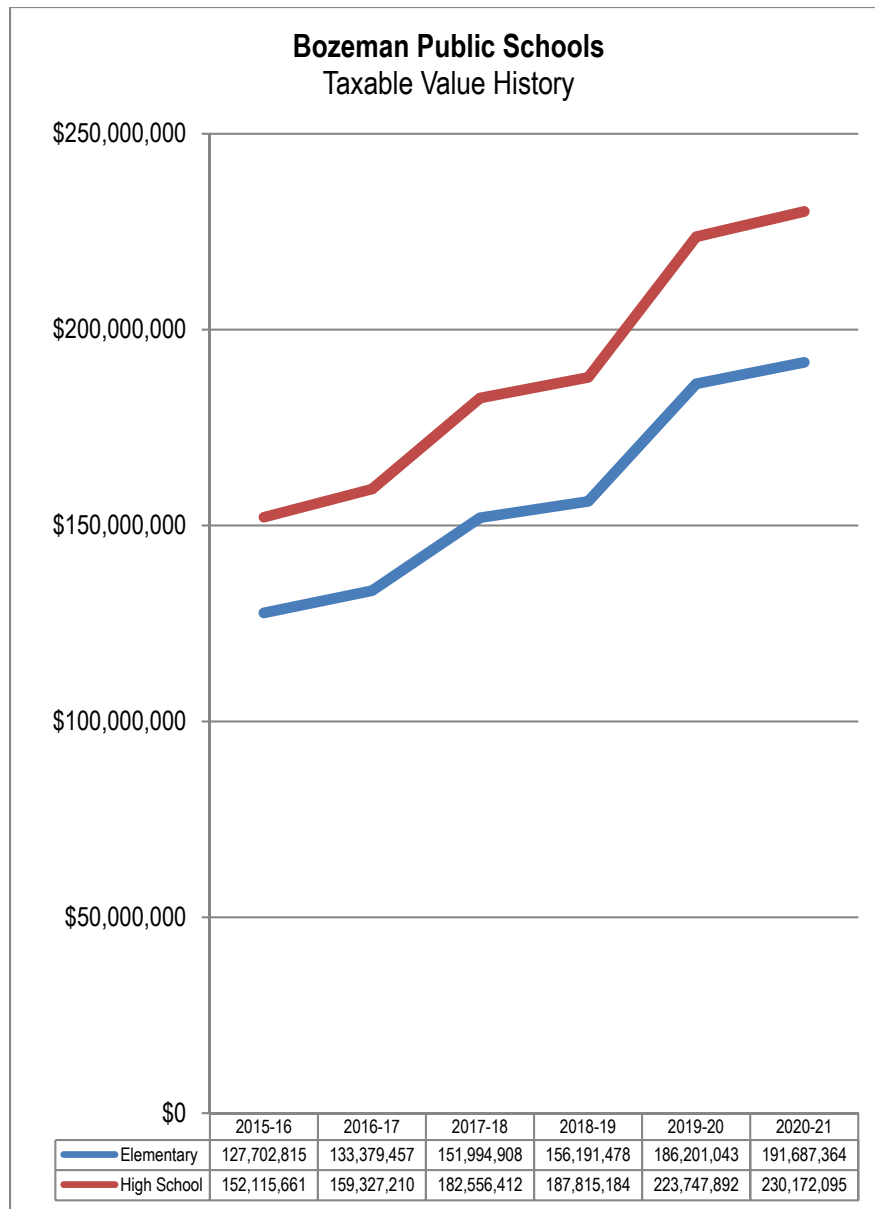
The other remaining changes were due to minor fluctuations in the Elementary Debt Service bond amortization tables.

- Technology Funds: \$16,459 tax increase. In 2013, Bozeman Elementary voters approved a 3.00 mill levy for the Technology Fund. As the District's taxable value increases, that voted levy generates additional funds for the District. In 2020-21, that increase is \$16,459. The High School District also has a voter-approved levy in the Technology Fund, but that levy is fixed at \$200,000 per year.

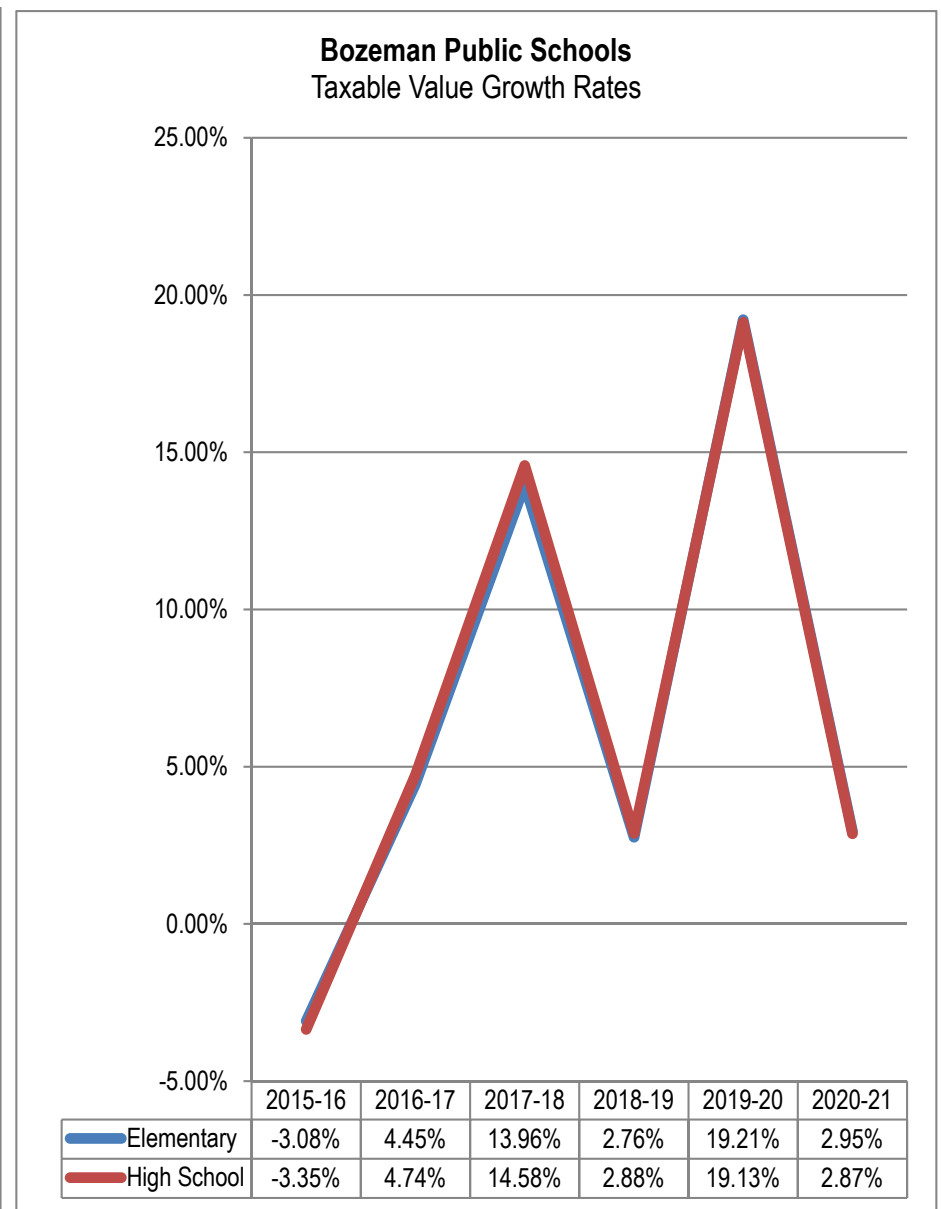
State law requires Montana schools to provide notice in March each year of any anticipated increases to certain permissive (i.e., nonvoted) levies in the ensuing year. The estimates are nonbinding. However, levies required to be covered by this notice constitute a small percentage of the District's actual levies (6.52% of the 2020-21 levied mills). Additionally, taxpayers may not understand the difference between voted and permissive levies, or know that the presented levies are not a complete picture of the District's taxes. To reduce confusion and improve transparency, the District includes all of its levies in the notice.

The 2020-21 notice was posted in the Bozeman Chronicle on March 17, 2020 and is included as Appendix 2 in this budget document.

Fortunately, the Bozeman School District benefits from a strong tax base to support the School District's revenue requirements. This growing tax base helps to mitigate the tax impact on individual taxpayers. The Districts saw taxable values dip for the first time in over 15 years in 2016-17—the result from the Montana Department of Revenue's periodic revaluation and the 2008 recession. That decrease appears to have been an aberration. Based on continued strong growth in the community and the legislature's decision to leave tax rates unchanged, Bozeman's taxable values increased again in 2020-21. The Elementary and High School increases in 2020-21 were 2.95% and 2.87%, respectively:



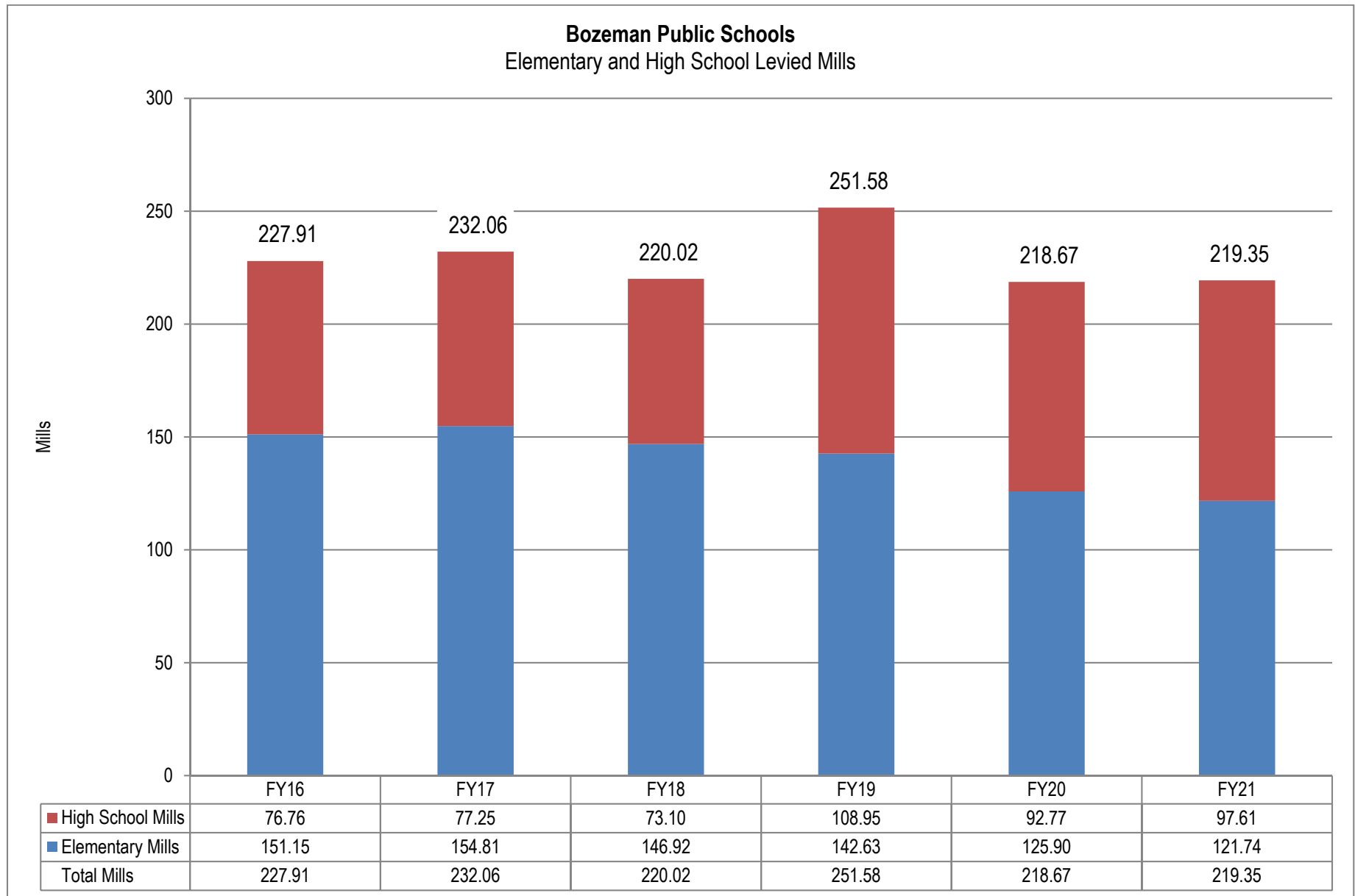
Source: Montana Department of Revenue



Source: District records

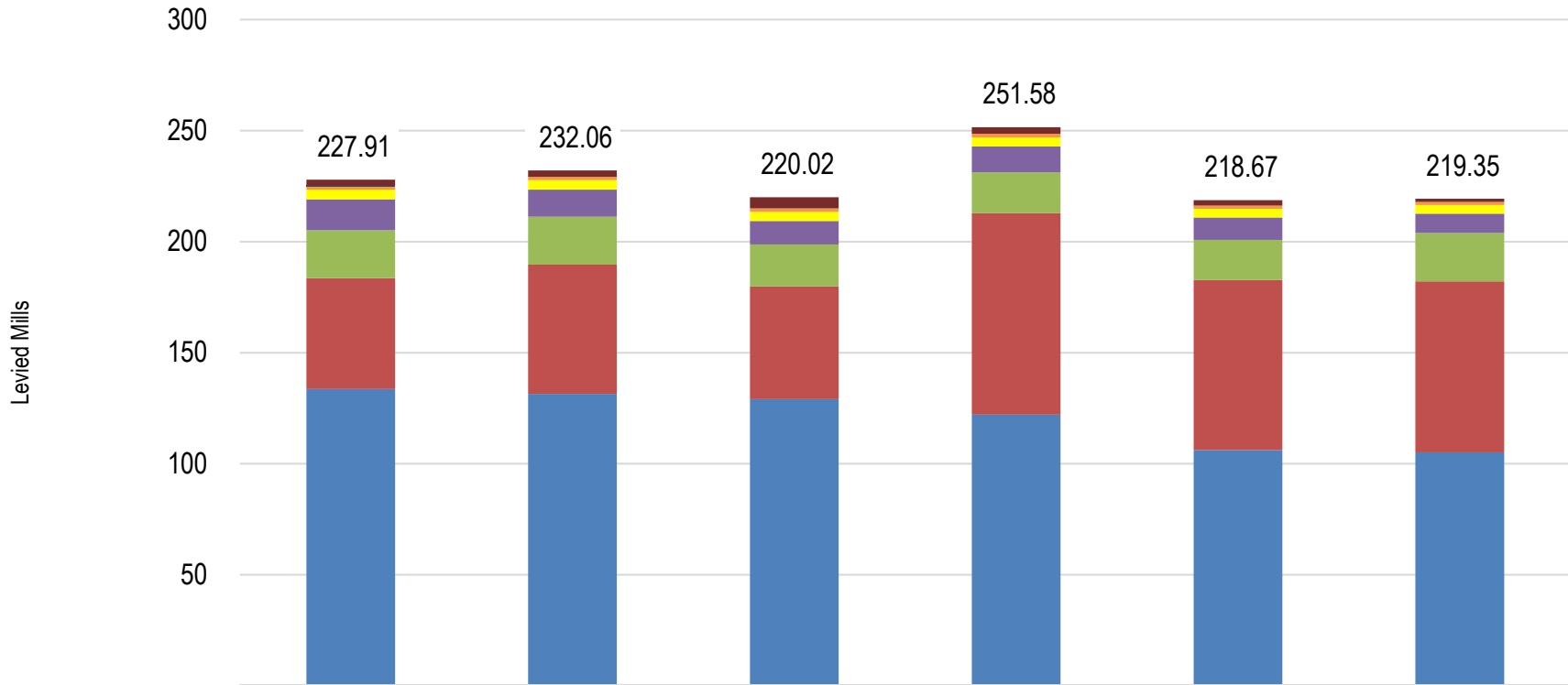
This year is not a reappraisal year under Montana law, so almost all of this increase is due to newly taxable property.

Total levied mills in the High School District will increase in 2020-21, while Elementary School District mills will decrease by a nearly identical amount. This year, total K-12 levied mills will increase from 218.67 mills in FY2020 to 219.35 mills in FY2020—an increase of 0.68 mills (0.31%). Again, the graphs show the breakdown of these mills by District and then K-12 totals by fund:



Source: District records

Bozeman Public Schools
K-12 Levied Mills by Fund



	FY16	FY17	FY18	FY19	FY20	FY21
Flexibility	-	-	-	-	-	-
Tuition	2.72	2.88	5.04	3.02	2.44	1.46
Bus Depreciation	0.46	-	-	-	-	-
Adult Education	1.30	1.47	1.54	1.62	1.40	1.37
Technology	4.31	4.26	4.10	4.06	3.89	3.87
Transportation	13.95	12.18	10.60	11.64	10.10	8.73
Building Reserve	21.61	21.61	18.91	18.39	18.11	21.75
Debt Service	49.93	58.20	50.72	90.77	76.56	77.04
General	133.63	131.46	129.11	122.08	106.17	105.13
Total Levied Mills	227.91	232.06	220.02	251.58	218.67	219.35

Source: District records

Personnel Resource Changes

Montana's state accreditation standards provide the basic framework for the District's staffing model. As detailed above, the District anticipates the 184 additional students to enroll in the District during 2020-21. In a normal year, a projected enrollment increase of this size would result in around 9 additional budgeted certified FTE. This year, however, the District is opening Gallatin High School—the District's second high school—and significant changes will accompany that new facility.

To accommodate the enrollment growth and splitting of the high schools, the District is planning to add 30.83 FTE this year. 15.4 of that FTE will be high school teachers and another 10 custodial FTE will be needed to maintain Gallatin High School. The rest of the new FTE is more 'standard' increases related to K-12 enrollment.

The following table summarized the FTE additions. More details are available in the Informational Section of the document.

	Elementary FTE Additions	High School FTE Additions	Total K-12 FTE Additions	K-12 Estimated Cost
Projected Enrollment Increase	62	122	184	
<u>Regular Programs:</u>				
Certified FTE	(0.50)	16.25	15.75	\$ 1,078,875
Classified FTE	1.48	9.50	10.98	247,596
<u>Specialists</u>	-	1.00	1.00	51,000
Subtotal: Regular Programs	0.98	26.75	27.73	\$ 1,377,471
<u>Special Ed:</u>				
Certified FTE	0.50	1.60	2.10	\$ 143,850
Specialists (Psychologists, Therapists, etc.)	0.75	0.25	1.00	51,000
<u>Classified FTE</u>	-	-	-	-
Total Special Ed	1.25	1.85	3.10	\$ 194,850
Grand Total	2.23	28.60	30.83	\$ 1,572,321

Source: District records

Additional positions may be added when the school year begins and actual enrollment counts are known.

Debt Changes

The Bozeman School District has been quite active in the debt market over the last couple of years, and it appears that trend may continue into the foreseeable future.

On May 2, 2017, Bozeman High School voters authorized the District to issue \$125,000,000 in debt to construct the District's Gallatin High School and renovate Bozeman High School. The District issued the final \$25 million issue in 2019.

The District currently operates eight K-5 elementary buildings, and our most recent projections indicate those buildings will reach capacity in 2023. In order to accommodate anticipated new growth, the District will discuss the timeline for Elementary 9 during the coming year. If enrollment continues to increase as projected, the Board could approach voters for bonds to build a new elementary as soon as May 2021.

OTHER INFORMATION

Awards

The Association of School Business Officials has awarded its *Meritorious Budget Award* to the Bozeman School District for each of its budget documents since fiscal year 2015-16. The award is a prestigious national award recognizing conformance with the highest standards for preparation and presentation of the budget document.

In order to receive this award, a school district must publish an easily readable and efficiently organized budget document, whose contents conform to the program standards. The *Meritorious Budget Award* is valid for a period of one year. We believe this budget document again meets the requirements for the award and we are submitting it to ASBO to determine its eligibility for this certificate and designation.

Acknowledgements

We would like to express our appreciation to the Board of Trustees for their concern in providing transparency to the patrons of our school district and thereby contributing their support to the development of one of the best education finance operations within the State. The preparation of this report could not be accomplished without the efficient and dedicated services of the Board, Administration, and the entire school district staff. To those personnel who assisted and contributed to its preparation, thank you!

The District has a long history of excellence in public education and transparency and prudent stewardship of taxpayer finances. We remain committed to each of those values. To that end, please contact my office at (406) 522-6097 or mike.waterman@bsd7.org if you have questions or need additional information.