

Bozeman Public Schools



2022-23 Adopted Budget

Executive Summary



Bozeman Public Schools

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DATE: August 15, 2022
TO: Board Chair
Members of the Board of Trustees
FROM: Lacy Clark, Director of Business Services
RE: 2022-23 Budget Overview

On August 15, 2022 the Bozeman School District Board of Trustees adopted its budget for the 2022-23 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2022-23 budgets. This overview is organized into three sections: organizational, financial, and informational. The budget document contains additional information on all of these topics as required by the MBA.



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
Greg Neil, Chair	2023	5.5 years	Insurance Agent
Tanya Reinhardt, Vice Chair	2025	6 years	Business Consultant
Douglas Fischer	2024	7 years	Journalist
Gary Lusin	2024	16.5 years	Physical Therapist
Kevin Black	2023	2 years	Real Estate Agent
Lauren Dee	2025	Newly Appointed	Stay at Home Mom
Lei-Anna Bertelsen	2024	1 year	Education Facilitator
Sandra Wilson	2024	7.5 years	Retired Teacher

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 four branches. An Administrator leads each branch, and each of these Administrators reports to the Superintendent.

Mr. Casey Bertram is the District's Superintendent, and was appointed to this post effective January 2022. Previously, during the 2020-2021 school year, Mr. Bertram served as the Interim Superintendent as well as the Deputy Superintendent Curriculum and Technology. Prior to that, he was the principal at Hawthorne Elementary in Bozeman since 2013. Mr. Bertram's direct Administrative reports are:

- Dr. Marilyn King, who serves as a Deputy Superintendent. Dr. King has worked for the Bozeman School District since 1999.
- Mike Van Vuren, who serves as a Deputy Superintendent. Mr. Van Vuren was formerly the principal at Hyalite Elementary in Bozeman and has been with the District since 2011.
- Mike Waterman, who serves as the Executive Director of Business and Operations. Mr. Waterman has worked for the District since 2012.
- Pat Strauss, who serves as the District Human Resources Director. Mr. Strauss has worked for the District since 2001.



Mr. Casey Bertram - Superintendent

Major Goals and Objectives – Long Range Strategic Plan

Bozeman School District uses a Long-Range Strategic Plan (LRSP) to guide and focus the District. The LRSP process was launched in the fall of 2007 to bring more rigor to the process of setting goals; to ensure the wants, preferences, and needs of the community are well understood; and to strategically focus District resources. Bozeman Public Schools' Board, staff, and leadership team view the process of strategic planning as an ongoing process within Bozeman Public Schools. The LRSP is not a "strategic planning project" that was completed, but rather is a living document that continually evolves as the needs of the District change.

Key foundational pieces of the LRSP include the District's Core Purpose, Core Values, Goal Areas, and the Five-Year Plan which includes measurable District goals:

Core Purpose - *Bozeman Public Schools exist to provide an outstanding education that inspires and ensures high achievement so every student can succeed and make a difference in a rapidly changing world community.*

Core Values

- High Student Achievement: We are committed to ensuring that all students achieve at high levels.
- Committed, Quality Staff: We employ and retain well qualified and talented staff members who demonstrate a commitment to the core purpose of the District.
- Community and Family Engagement: We believe that parents and the community are essential contributors in the achievement of our goals.
- Climate: We operate in a climate of respect, honesty and hard work, recognizing the need to be adaptable and open to change.
- Fiscal Responsibility: We are fiscally responsible in the management and expenditure of all District resources.
- Decision Making: We rely on best practices research to guide our decision-making.

Goal Areas

- Goal Area 1: Academic Performance - Each student meets or exceeds the high academic standards necessary for college and career readiness.
- Goal Area 2: Operations and Capacity Building: District operations, facilities and human resources promote an efficient and innovative educational system.
- Goal Area 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 educate our students.
- Goal Area 4: Student and Staff Safety/Health/Welfare: Bozeman Public Schools has effective systems in place for students and staff to learn and work in a safe and healthy environment.

Five Year Plan - Measurable District Goals

- *Early Literacy Goal:* By 2025, 85% of all children entering Kindergarten will have requisite literacy skills as measured by Acadience.
- *Grade Level Reading Goal:* By 2025, 90% of all BSD7 3rd Grade Students will demonstrate grade-level reading skills by achieving a proficient score on the Acadience reading assessment at the end of the school year.
- *PLC Goal:* By spring of 2025 all BSD7 schools PK-12 will have fully implemented PLC's in place that will support the closing of the achievement gap, thus qualifying BSD7 as a Solution Tree Model PLC District.
- *Graduation Goal:* By 2025, 95% of BSD7 students in each graduation cohort will earn a regular high school diploma in four years or fewer.

Building-level administrators are responsible for developing annual action plans that move the District toward these goals. Annual reports assess the District's progress at the conclusion of each year.

The LRSP has undergone significant revisions via a community consensus process about every 5-6 years. It was anticipated that the 2022-2023 school year would be the year to engage the community in a LRSP revision process. However, there are two pressing areas where significant discussion, community engagement, and problem solving are needed. The District identifies those types of discussions as *Mega Issues* and has a history of using a consensus process to work through the challenges. The District now anticipates pushing the LRSP revision process to the 2023-2024 school year so focused attention can be given to the *Mega Issues* during the 2022-2023 school year. These *Mega Issues* include the budget shortfall in both the Elementary and High School Districts, as well as ensuring all BSD7 schools PK-12 implement a Professional Learning Community (PLC) to support the closing of the achievement gap.

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 2022-23 budget has been in the planning stages since August 2021.

Budget Development Process and Timeline

Each fall, the Board of Trustees formalizes a calendar for the development of the ensuing year's budget. The annual calendar, which has historically remained quite consistent, 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.

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.



Source: District's Annual Report

FINANCIAL SECTION

Immediately, the Bozeman School District's finances remain 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 Elementary School District's bond rating of Aa2 in May 2022 following a decision by the board to re-finance the 2013 Elementary Bonds. The bond rating is the highest of any public 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 refinance, but because it is indicative of the District and community's overall financial health. Going forward, the District's Budget Committee will review the budget shortfalls, and the opportunities to improve it.

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 2022-23 is \$108,738,281. This total represents an increase of \$4,725,860 (4.5%) over the prior year's budget:

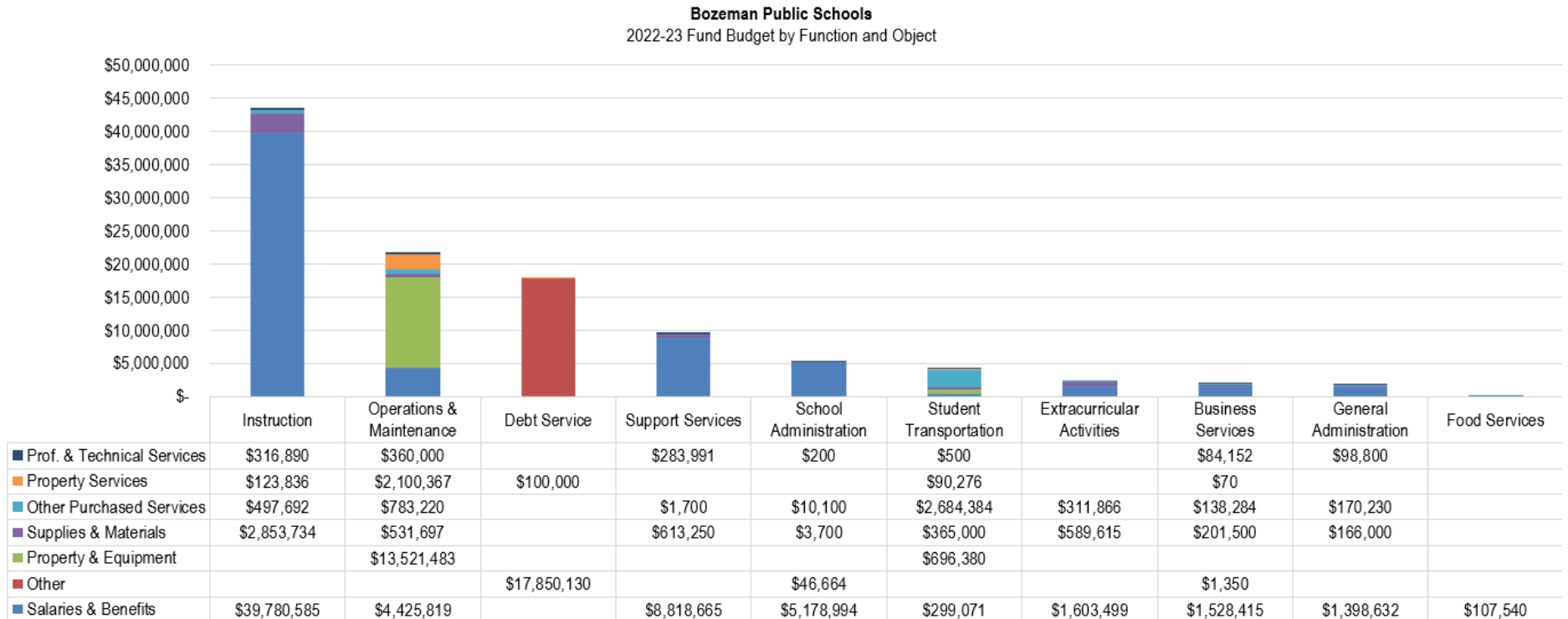
	FY2021-22 Budget	FY2022-23 Budget	Change \$	Change %
General	\$ 54,581,291	\$ 56,909,434	\$ 2,328,143	4.3%
Debt Service	17,426,059	17,950,130	524,071	3.0%
Building Reserve	16,019,204	16,368,645	349,441	2.2%
Retirement	8,450,000	9,100,000	650,000	7.7%
Transportation	3,421,372	3,649,168	227,796	6.7%
Technology	2,091,815	2,385,588	293,773	14.0%
Adult Education	470,181	470,502	321	0.1%
Bus Depreciation	610,481	612,380	1,899	0.3%
Tuition	908,171	1,266,200	358,029	39.4%
Flexibility	33,847	26,234	-7,613	-22.5%
Total K-12	\$ 104,012,421	\$ 108,738,281	\$ 4,725,860	4.5%

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 \$108,738,281 in total budgeted expenditures, the District plans to spend \$43,572,737 (40%) on Instruction and \$63,141,220 (58%) on Salaries and Benefits – the largest single function and object amounts, respectively.

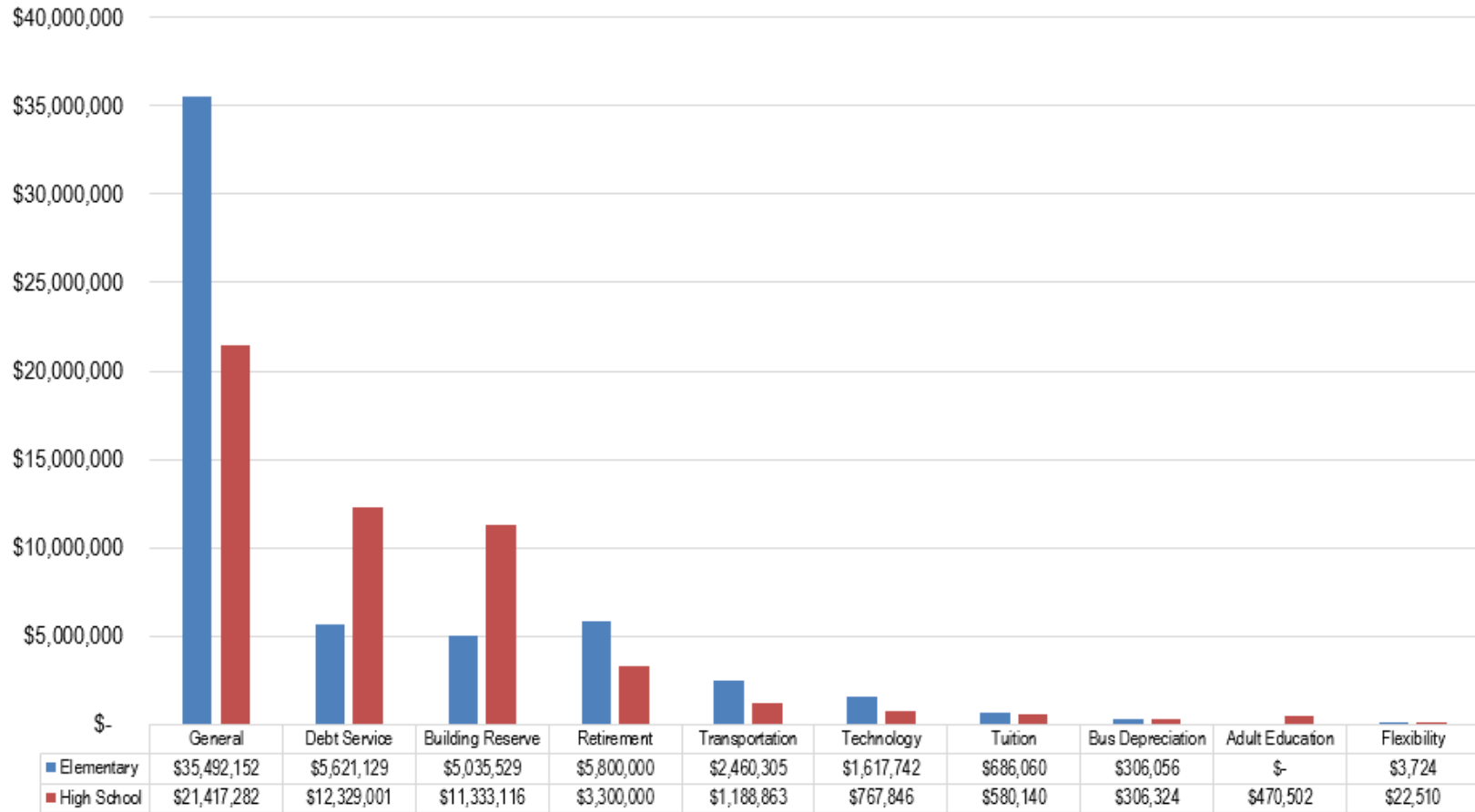
The following graph summarizes total budgeted expenditures by function and object:



Source: District records

The adopted budgets (i.e., legal spending limit) for each of the Elementary and High School Districts' funds are shown below:

Bozeman Public Schools
2022-23 Spending Authority - All Budgeted Funds



Source: District records

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 \$7,050,961 (12.26%) system-wide:

	Elementary	High School	K-12 Total
General Fund Budget Limit	\$ 35,492,152	\$ 21,417,282	\$ 56,909,434
Budgeted General Fund Expenditures	\$ 39,821,423	\$ 24,138,972	\$ 63,960,395
Remaining Capacity/(Structural Imbalance)	\$ (4,329,271)	\$ (2,721,690)	\$ (7,050,961)

Source: District records

As noted above, the ‘structural imbalance’ has become a *Mega Issue* set forth by the Superintendent and identified by the Board as a top priority moving into the 2022-2023 fiscal year. The structural imbalance is identified and spoke to in great detail in both the trends and initiatives section of the Executive Summary, in addition to the Financial Summary.

Significant Trends, Events, and Initiatives

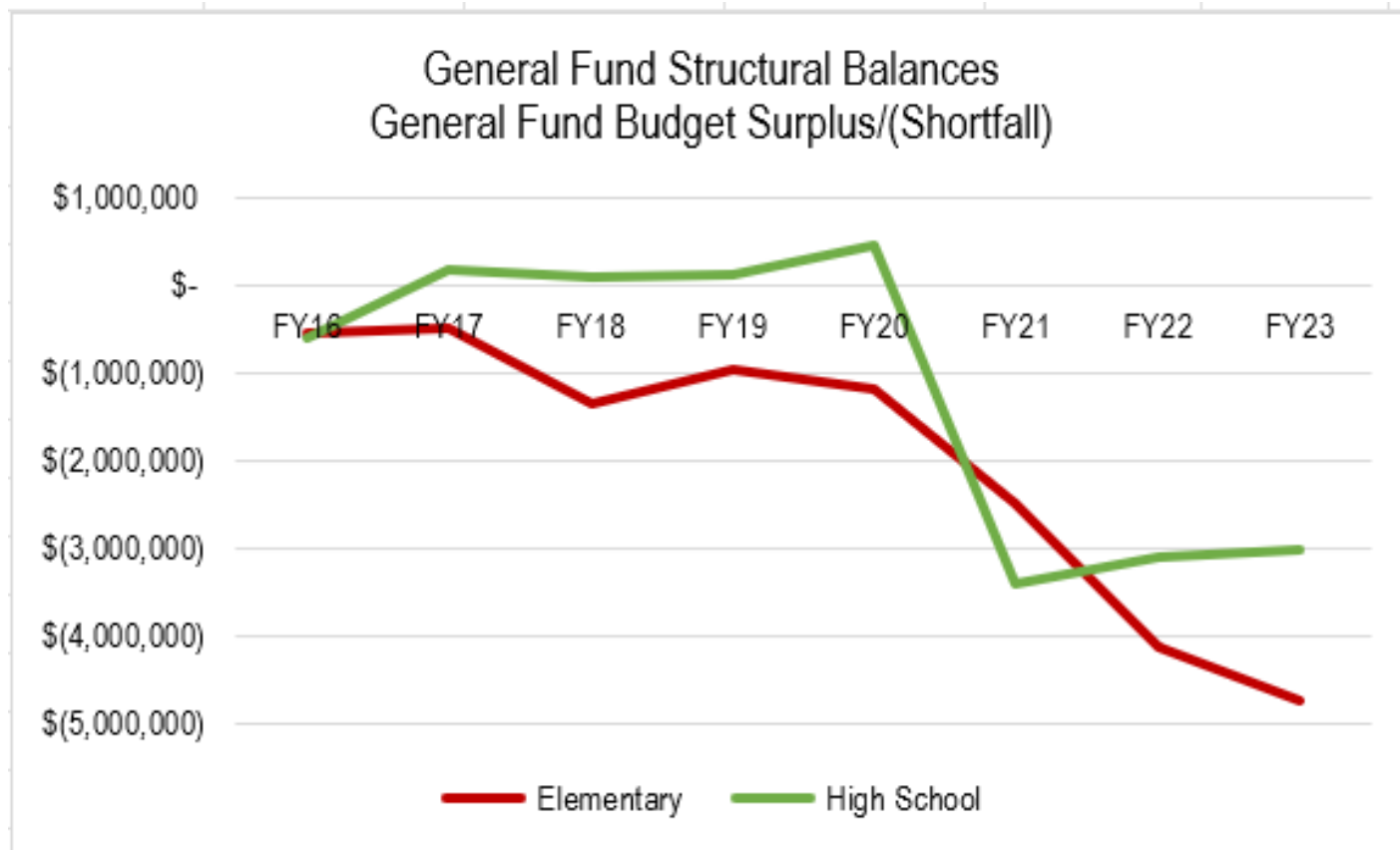
The *Mega Issues* identified by the Board include significant budget challenges looming for both the Elementary and High School District budgets. Both the K-8 elementary and 9-12 high school General Fund budgets are upside down—meaning our planned expenditures exceed our available budget authority. Generally, the deficits are a result of two developments: an elementary enrollment decline and the opening of the District’s second high school in 2020.

The COVID pandemic admittedly caught us all off guard, but the District was still as well prepared for it as it could have been. The elementary deficit is due largely to a significant drop in enrollment caused by the pandemic. In Montana, enrollment is the single most important factor in calculating General Fund budget limits, so the enrollment decrease impacted our spending authority. In addition, the District’s buildings—all of which remained open after the enrollment drop—have excessive capacity available. This excess capacity is highly inefficient from a financial perspective, and is a primary factor in the current deficit situation. The federal COVID relief (“ESSER”) funds provided one-time funding sources that allowed us to maintain operations during that time; however, all ESSER funds are completely spent and the District must make changes to live within its means.

The High School deficit has a completely different cause. In 2020, the District opened its second high school: Gallatin High School. Significant staffing increases were expected and granted when GHS opened, and voters approved a transition levy to temporarily support that staffing increase. After the initial increase, the plan was that no new staff would be needed while the high school enrollment “grew into” the capacity at each building. This past spring, however, it became apparent that both high schools needed additional staff to run their master schedules—a fundamental change to our original plan. The staffing increase was approved out of necessity to meet the needs of the current scheduling system but, as noted above, it is not sustainable.

In addition to these two primary issues, recruitment and retention have emerged as significant District issues—seemingly overnight. Bozeman is an attractive place to live, and the District is a high performing public school system. As a result, our District has historically been a destination for many professional educators. However, cost of living increases here have caused our applicant pools to dwindle significantly. To address those changing conditions, the District provided mid-contract wage increases to all hourly staff and bonuses to all other employee groups. Union negotiations are scheduled for the spring of 2023, and the District knows it must take a holistic look at employee compensation—including salaries and benefits—and invest strategically in it to help with recruitment and retention issues. In order to do so, however, the District will need to create capacity in our budget.

Because of these budget stressors, the Board appointed a Budget Committee to discuss this issue now and develop thoughtful, intentional student-centered solutions to our budget issues. The Budget Committee commenced in June 2022, and will be ongoing through December 2022. Any recommendations made to the Board will take effect for the 2023-24 fiscal year.



Source: District Records

The graph above shows the General Fund structural balance history for the Elementary and High School Districts. The zero line indicates that planned expenditures match available budget authority—a balanced budget. As you can see, both the Elementary and High School budgets have multi-million dollar deficits, and neither appears to be recovering quickly. Both budgets are pulling from limited one-time funds to make ends meet—a temporary and unsustainable solution.

While Montana law requires a balanced General Fund budget, there are also budgeted contingency amounts that can be used to fund different sectors of the School District. Recently, voters approved a new High School Technology levy, High School Building Reserve levy, and a permanent increase in the High

School General Fund. In addition to these levies, the District has the ability to permissively levy funds from Tuition and Transportation funds to support specific programs and departments within the District. The overall funding increase reflects the following fund budget increases:

- \$2,328,143 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. The legislature increased the funding rates for 2022-23 by 1.50% based on an inflation determined in statute. Another reason for the overall General Fund increase is the High School enrollment count. The enrollment at the High School saw an additional 111 students from the prior year (a 4.5% increase). This enrollment increase gave the District the ability to ask voters for an over-base General Fund levy of \$295,422.74.
- \$349,441 increase in the Building Reserve Funds. In May 2022, High School District voters approved a new six-year \$9,000,000 Building Reserve Levy for the maintenance and the upkeep of the District's High School buildings and grounds. This levy replaced the prior \$12,000,000, six-year Building Reserve levy that expired in 2022. The reduced levy amount was requested due to the fact that Bozeman High School just underwent an extensive renovation project and Gallatin High School is just entering its third year as the District's second high school. It is not anticipated that the District will have as many expenses related to major school maintenance of these High Schools for the next six years.

The Elementary District Building Reserve budget is entering its third year of a six-year voter approved \$12,000,000 levy. The Elementary Budget will increase from \$4,547,276 in 2021-22 to \$5,035,529 in 2022-23. This 10.7% increase is due to Fund Balance after the 2021-22 fiscal year for upcoming Capital Projects.

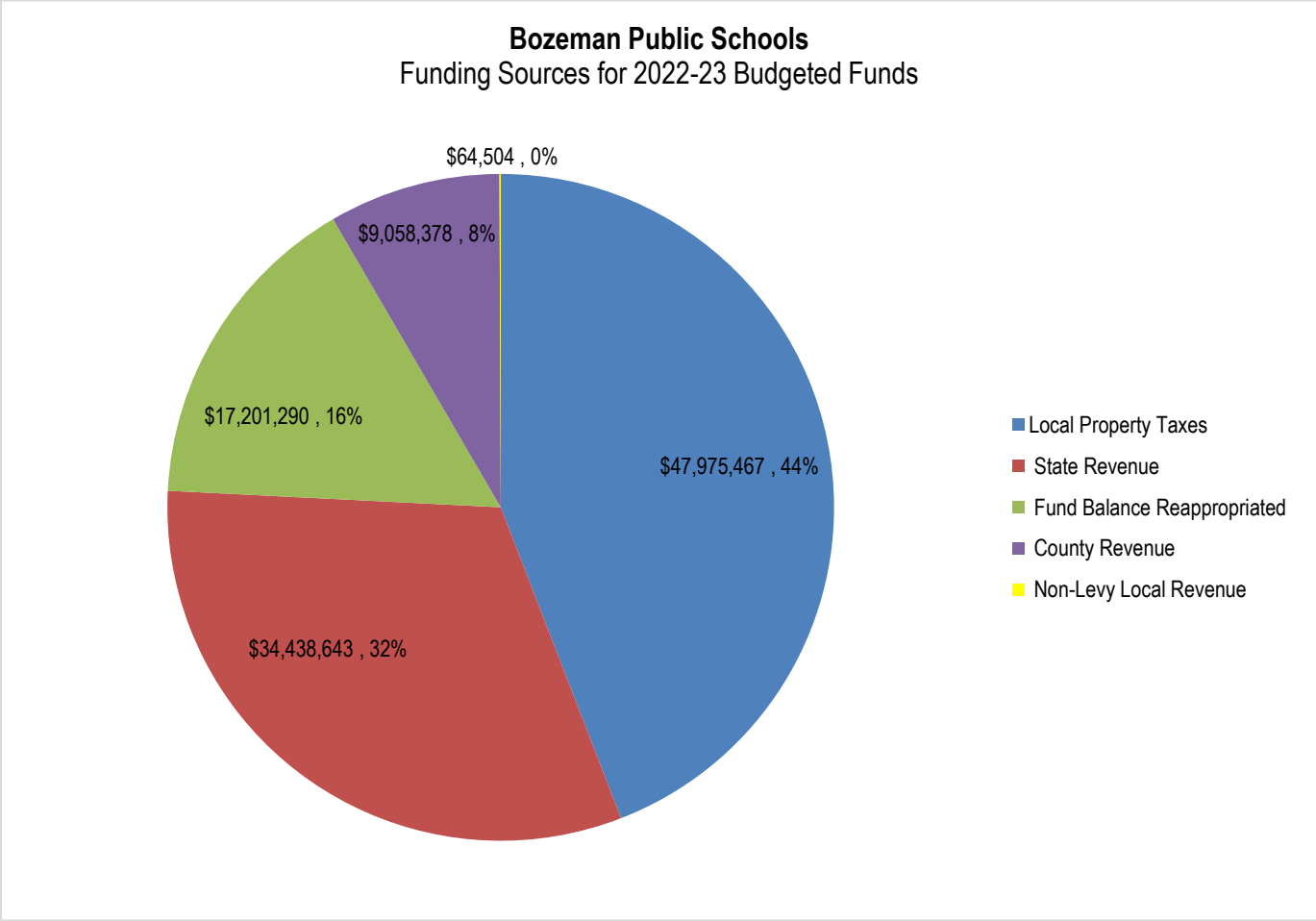
- \$524,071 increase in the Debt Service Funds. The Elementary District's Debt Service payment schedule was originally set to increase in 2022-2023 due to the deliberately created bond payment schedule. With the looming increase in debt service payments and interest rates that remained lower than at issuance, the District refinanced certain eligible bonds to take advantage of available interest rate reductions and level out the payment schedule for future years. The refinancing brought total interest savings of \$464,924.98 to the taxpayers, and resulted in the ongoing stability of the debt service payments. The bond payment schedules for both Districts are detailed in the larger budget document.
- \$358,029 increase in the Tuition Funds. The additional funding in the Tuition Fund is a placeholder for possible out of state tuition costs for resident students. While Bozeman School District works directly with local non-profits to offer treatment programs that cater to children experiencing significant challenges, it is sometimes necessary for students to be placed in a true Residential Treatment Center. Based on state law, Montana School Districts are responsible for the educational costs of a student residing in an out-of-state residential facility. Therefore, the 39.4% increase in the tuition fund is needed to provide and deliver these educational opportunities in these circumstances.

If the anticipated costs are ultimately not needed for Residential Treatment Purposes, the funds may be used to reduce future taxes in the Tuition Fund.

- \$227,796 increase in the Transportation Funds. Montana House Bill 267 (HB267, passed in 2021) established School District's responsibility of equipping each school bus with a lighted, extended stop arm for children's safety when crossing the street at a bus stop. The cost related to the purchase of stop arms and contracted increases of bus route costs increased the Transportation budget from \$3,421,372 in 2021-22 to \$3,649,168 in 2022-23.

Revenue Summary

Each budget is fully funded by a combination of fund balance remaining from the previous fiscal year (fund balance reappropriated) and new revenue, which can come from local property taxpayers or non-levy sources. The \$108,738,281 in expenditure budgets adopted for 2022-23 will be funded as follows:



Source: District records

The following table compared these budgeted funding sources for 2022-23 with those budgeted for the prior year:

	2021-22	2022-23	Change
Local Property Taxes	\$ 46,811,775	\$ 47,975,467	\$ 1,163,692
Non-Levy Revenue	42,877,020	43,561,525	684,505
Fund Balance Reappropriated	15,619,174	17,201,290	1,582,116
Total	\$ 105,307,969	\$ 108,738,281	\$ 3,430,312

Source: District records

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

Budget Forecast

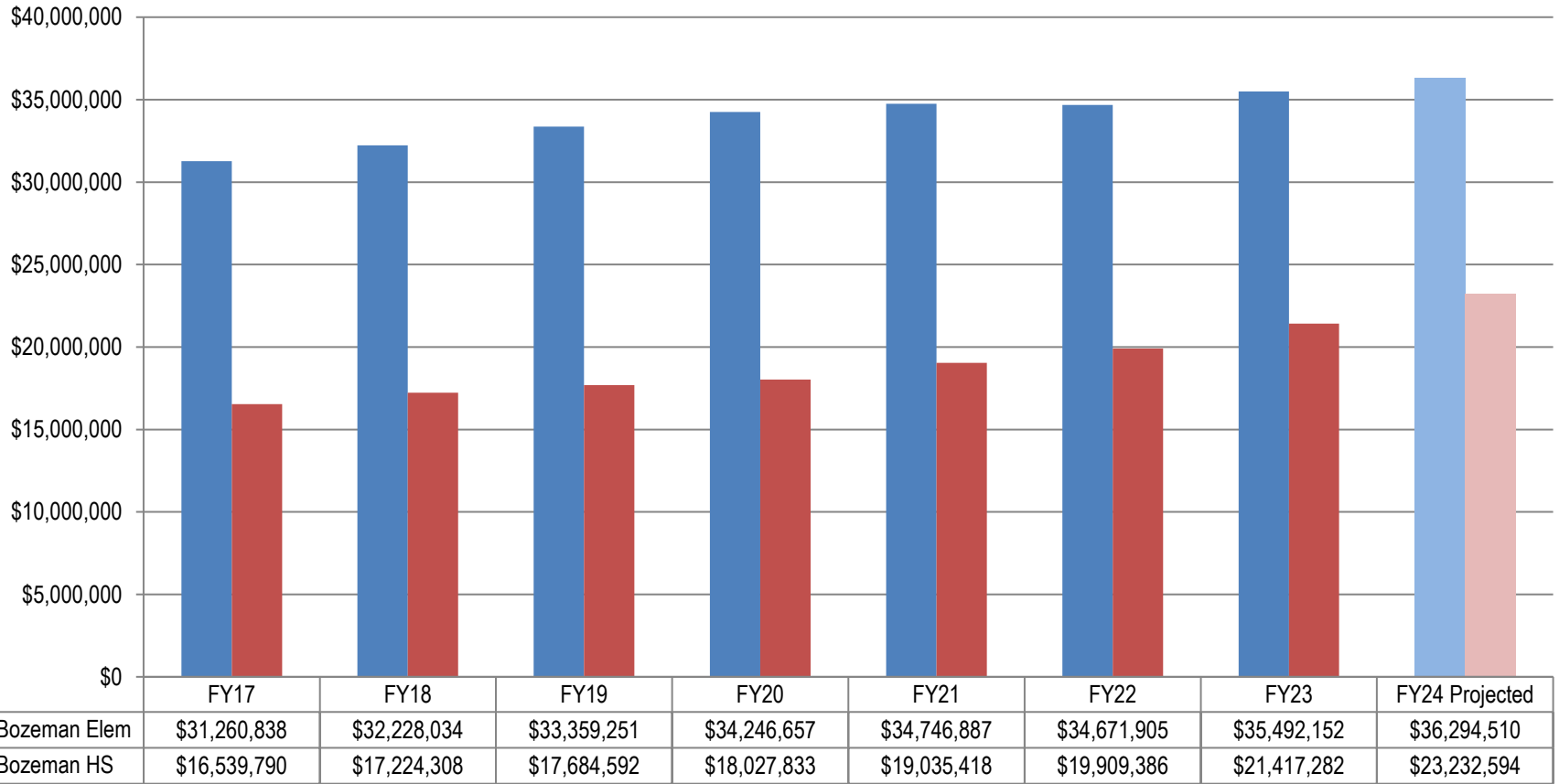
School finance in Montana differs from other states, and even other local governments within the state. Montana school operating budgets are unusual in that they are not contingent on taxable values and tax receipts. Rather, a series of factors--primarily enrollment and a series of legislatively-determined rates--determine our General Fund 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: in particular, the system essentially mandates year-to-year budgeting and limits our long-range planning ability. The large influx of federal COVID relief funds and changes made by the Montana legislature exacerbate those challenges. While the one-time COVID-relief amounts enabled the District to offset funding and efficiency losses and address learning loss convenes in odd-numbered years, they also created funding structures that are unsustainable. Many of the positions that were added using these funds will likely be eliminated when the one-time funds are spent, and those reductions will likely cast the District in a negative light.

Further, the Montana Legislature enacted changes that will further detract from schools' ability to plan for the future. In particular, HB630 suspended the mechanism by which schools could receive additional state and local funds for current year enrollment increases. Although costs associated with these increases were allowed to be funded with one-time COVID dollars, the District has spent its entire ESSER allocations as of June 30, 2022.

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:

**Bozeman Public Schools
General Fund Budget History**



Source: District records

Despite our limited ability to project long-range budgets, the District does have an eye on the future of our operating budgets. As noted above, the District will experience changes based on the outcome of the Budget Consensus Committee. While we expect the High School General Fund structural imbalance to recover slightly as enrollment increases, the District must resolve how to best accommodate the new economies of scale that were lost when the District moved to a two high school model. The Elementary District is even more of a concern. Although enrollment rebounded slightly, the District is still having substantially lower enrollment increases projected for the foreseeable future. Therefore, it will be necessary for the committee to make decisions based on the structural imbalance we are currently experiencing in both the Elementary and High School Districts. As reductions ultimately become necessary, the District will need to develop a comprehensive list of structures, programs, 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:

- Building Reserve Funds. With the expiration of the prior \$1,650,000 High School Building Reserve levy, the District successfully approached voters for a reduced \$1,500,000 levy each year for the next six years (totaling \$9,000,000). This purpose of this levy is for roof repairs, electrical system upgrades, mechanical system upgrades, grounds maintenance, facility modifications, construction, repair, alterations, and equipping buildings in the High School District.

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 \$469,025 and \$242,034, respectively, and these are the amounts included in the current year budget.

Finally, a noteworthy change is expected in the High School Transition Levy amount. The levy is limited to the lesser of \$1 million per year or 5% of the District's adopted General Fund budget. The ballot authorizing the levy also stated the District would offset any funds levied for the Transition Levy. Unfortunately, funds are not available to offset the entire authorized amount, so the levy must be reduced. The 2022-23 Transition Levy was limited to \$794,137 based on that ballot language and available offsets.

- 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, the contract with the District's current contractor, First Student, expires after the 2022-23 school year. The District expects the next contract to contain significantly higher costs due to the area labor shortage and to replace the fully-depreciated bus fleet.
- Technology Funds. With the increase in technology expenses, the District asked voters for a 10-year, 1 mill High School Technology Fund Levy. The passage of the proposal will increase the annual revenue on the High School Technology Fund from \$200,000 per year to \$278,037 in 2022-23, based on the taxable value for homes in the Bozeman School District. In the past, costs charged to that fund typically exceed the revenue afforded by the fixed \$200,000 per year levy, so fund balance had been decreasing over time, making this levy a necessary request to voters.
- 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.

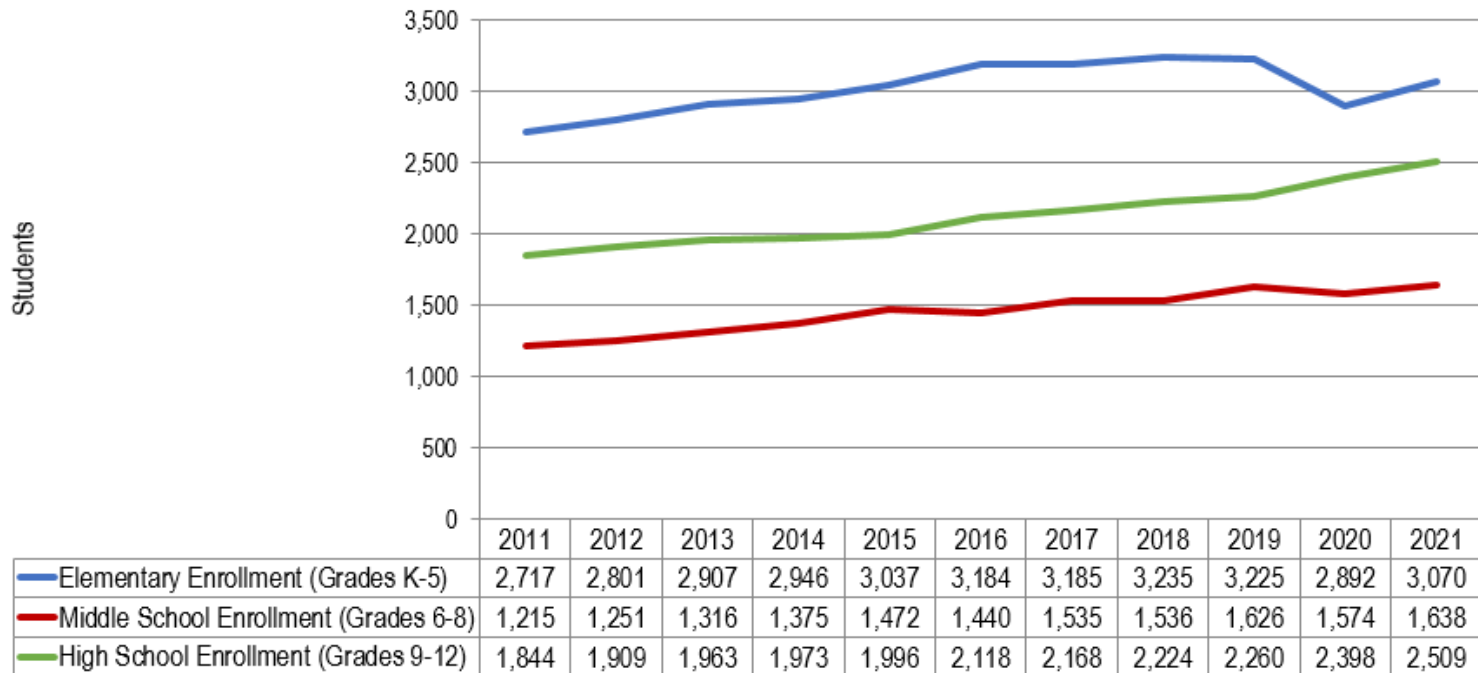
INFORMATIONAL SECTION

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. The Bozeman community continues to grow. Despite the community’s growth, the Bozeman School District’s elementary enrollment is expected to level off for the foreseeable future. While enrollment in K-5 did increase at the October 2021 enrollment count, it still did not increase back to pre-pandemic levels. Administration believes this is in part to the high cost of living within the area, and the fact that fewer school-aged families are moving here. Previously, it was anticipated that the K-5 enrollment would rebound with the COVID-19 pandemic settling down. However, it affected the community in more ways than were anticipated, and it is likely that the K-5 population will stay steady for the years to come. The 6-8 grades have rebounded to the same enrollment levels of October 2019, and the 9-12 grade levels have had a steady increase, despite the COVID-19 pandemic. With the overall Elementary enrollment decrease, the District has not been able to increase the General Fund through a voter approved levy.

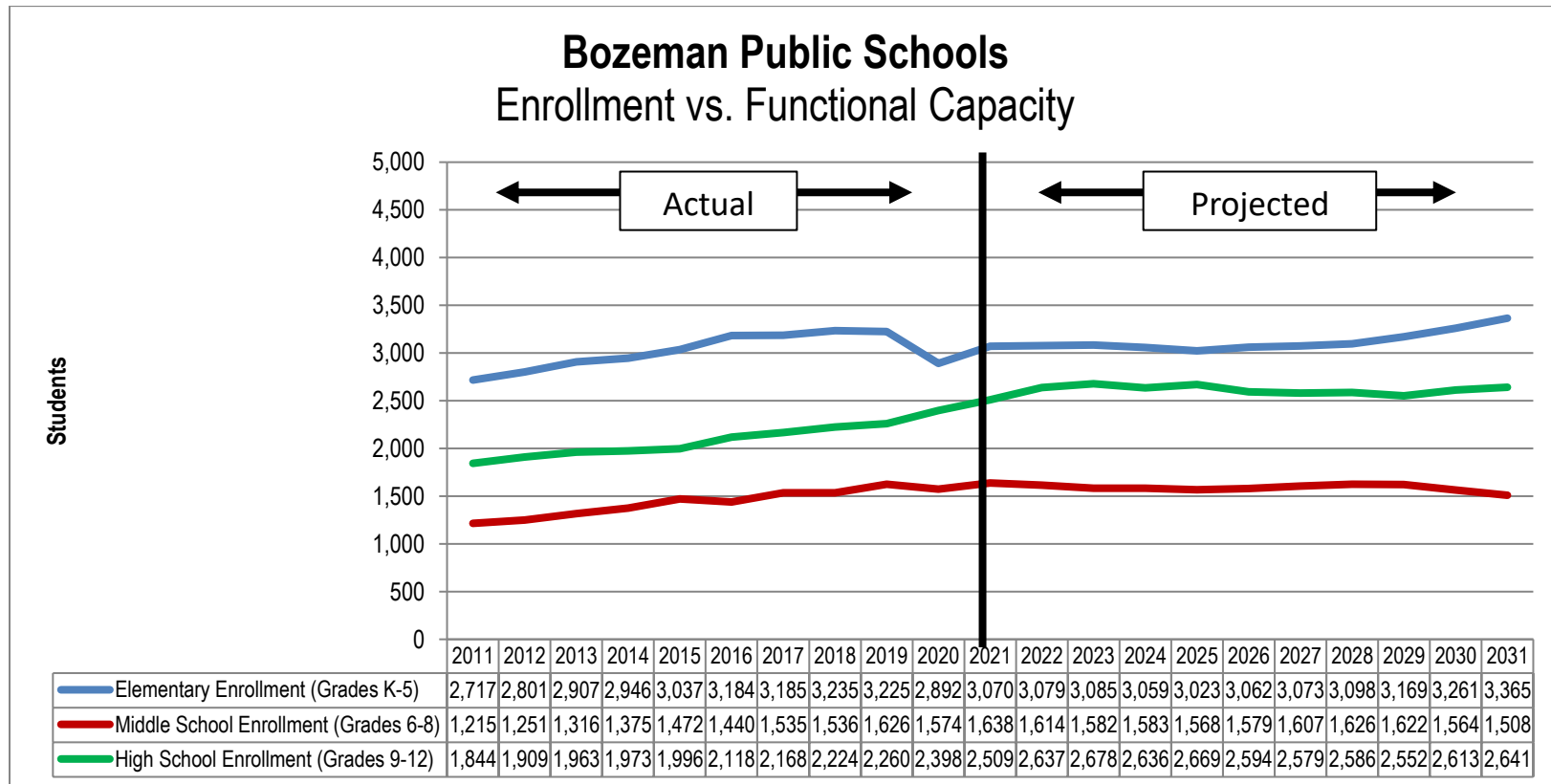
October 2021 Enrollment History



Overall, the District expects enrollment to increase by just 113 students (1.56%) from 2021-22 to 2022-23:

	October 1, 2021 Actual Enrollment	October 1, 2022 Anticipated Enrollment	Anticipated Change
Elementary (grades K-5)	3,070	3,079	9
Middle School (grades 6-8)	1,638	1,614	(24)
High School (grades 9-12)	2,509	2,637	128
Total (K-12)	7,217	7,330	113

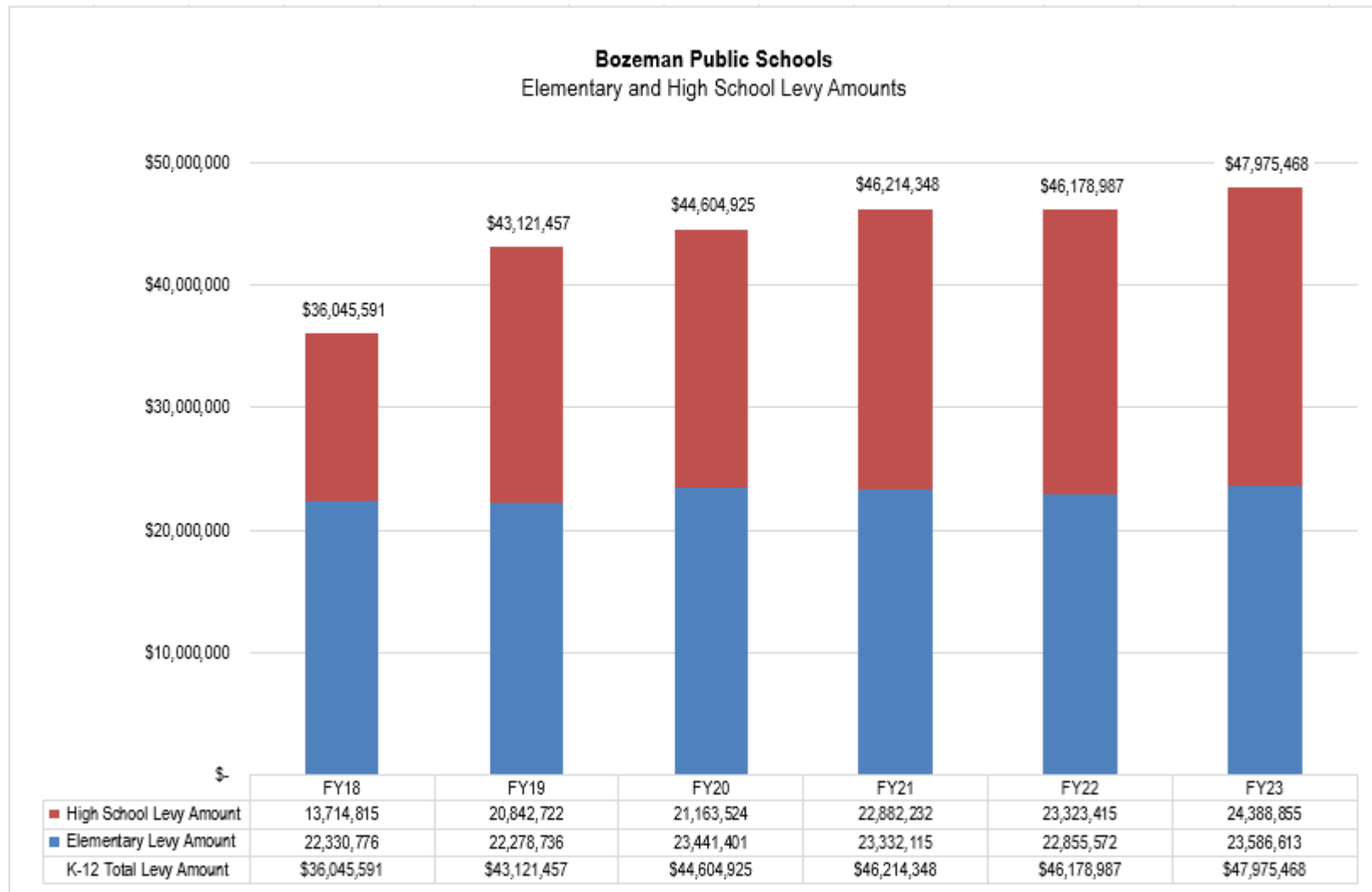
Source: District records



Source: District records

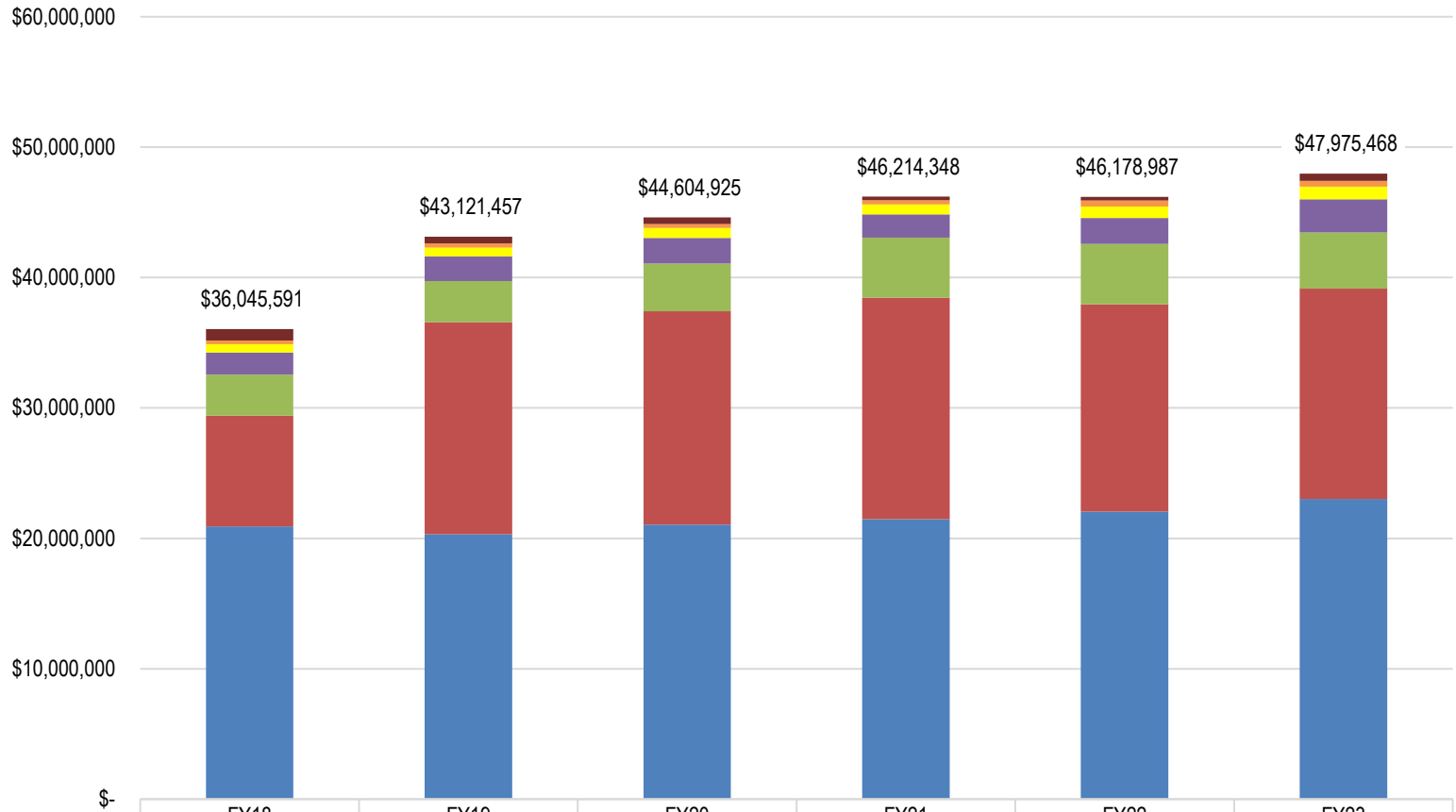
Taxation

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 FY 2022-23 budget is funded by \$47,975,468 in property taxes, an increase of \$1,796,481 (3.9%) from FY2022. The following graphs detail those amounts by District and then by fund:



Source: District records

Bozeman Public Schools K-12 Levied Dollars - All Funds



	FY18	FY19	FY20	FY21	FY22	FY23
Flexibility	-	-	-	-	-	-
Tuition	867,299	508,918	490,110	280,000	279,426	550,868
Bus Depreciation	-	-	-	-	-	-
Adult Education	281,197	304,661	314,296	314,296	459,181	459,502
Technology	655,985	668,574	758,603	775,062	872,257	971,065
Transportation	1,692,991	1,913,930	1,977,274	1,774,749	1,985,750	2,537,854
Building Reserve	3,150,000	3,150,000	3,650,000	4,601,770	4,645,469	4,294,137
Debt Service	8,490,437	16,270,615	16,371,644	16,993,600	15,892,839	16,131,501
General	20,907,681	20,304,760	21,042,998	21,474,871	22,044,065	23,030,541
Total Levied Dollars	\$36,045,591	\$43,121,457	\$44,604,925	\$46,214,348	\$46,178,987	\$47,975,468

Source: District records

The largest tax changes occurred in the General, Debt Service, Transportation, Technology, and Tuition Funds. Together, these funds account for 119% of the 2022-23 tax increase. The offset was the significant overall decrease in the Building Reserve Fund, which accounted for a decrease of \$351,332 in total taxes:

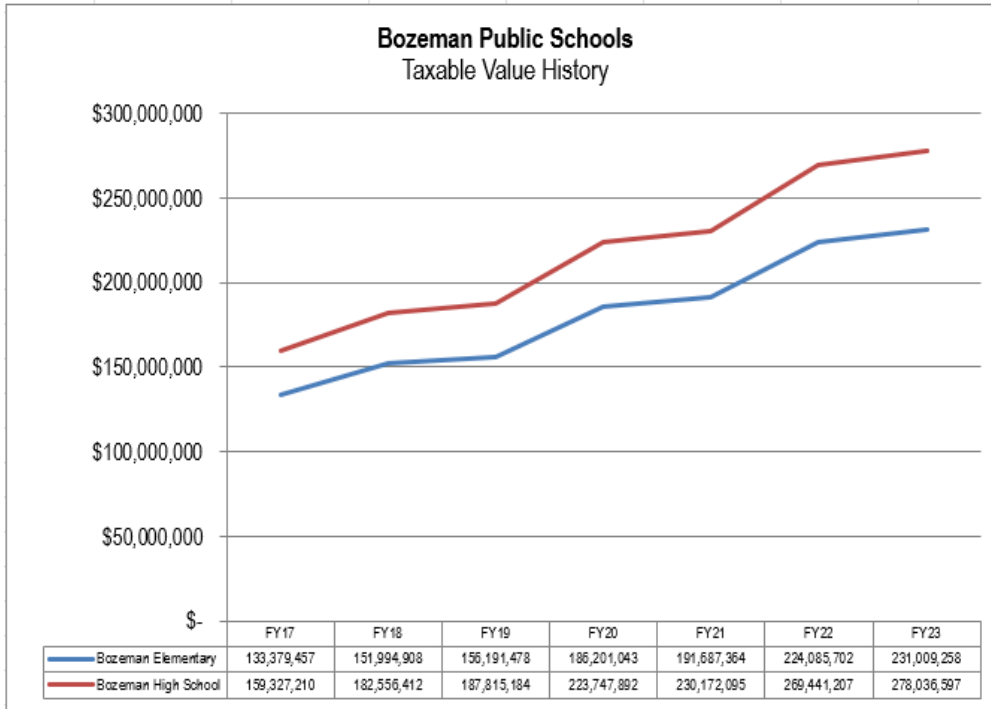
- General Funds: \$986,476 tax increase. In May 2022, voters approved a \$325,000 permanent annual increase to the High School General Fund levy. The voted increase was authorized due to an increase in enrollment that increased the over-base local tax limit. The remainder of the increase occurred in the permissive BASE taxes as required by state law. Overall, the General Fund has a 0.96 mill increase.
- Transportation Funds: \$552,104 tax increase. The Transportation Fund tax increase occurred in both the Elementary and High School District. Per State Law, the District was responsible to install and pay for stop arm extension on all home-to-school buses. In addition, the increase also accounts for expected route increases with enrollment increasing in the High School, and potentially the Elementary District.
- Debt Service Funds, \$238,662 Increase. The Elementary District's Debt Service payment schedule was reviewed and certain eligible bonds were refinanced in order to level off the tax increases that were scheduled to occur starting in FY24. As elementary enrollment has decreased, bond request to build a ninth Elementary building has been postponed indefinitely. Therefore, by refinancing those bonds, it leveled out the payments for the next seven years, so that taxpayers would no longer see an increase starting in the 2023-2024 fiscal year. The leveling off, included a slight increase for the 2022-23 bond payments.
- Technology Funds: \$98,807 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 2022, High School voters approved a 1.00 mill levy in the Technology Fund for a duration of ten years. This will increase the High School Technology fund from a set \$200,000 levy, to a levy based on taxable value. For 2022-23, the mill will increase the High School Technology fund by \$78,037.

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 and levies required to be covered by this notice constitute a small percentage of the District's actual levies. 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.

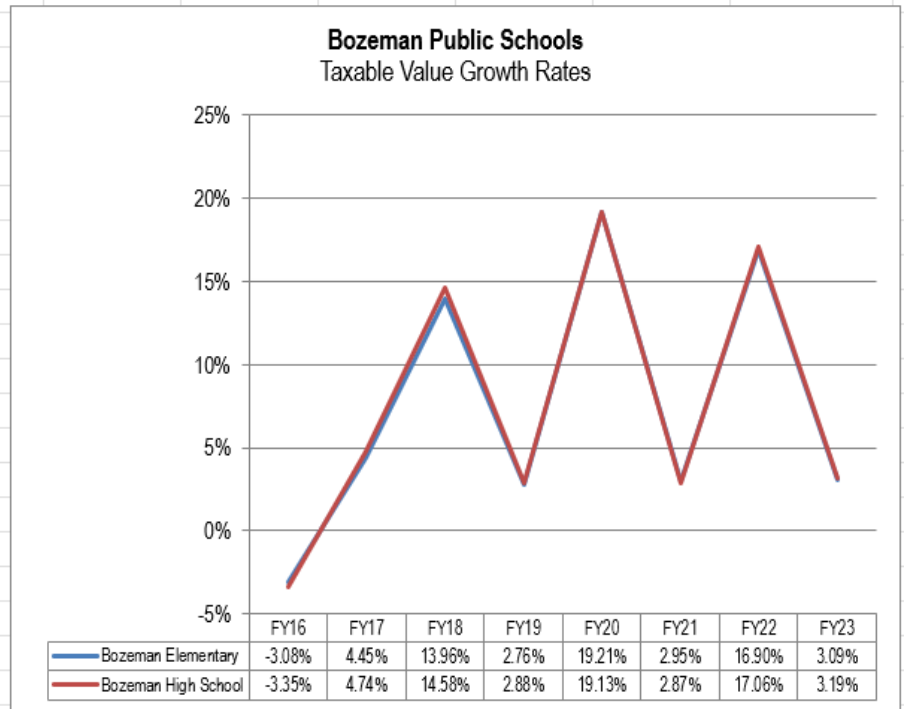
The 2022-23 notice was posted in the Bozeman Chronicle on March 15, 2022 and is included as Appendix 2 in this budget document.

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. Taxable values are reassessed every two years. The last assessment period occurred in 2021-22 and increased taxable value by 16.9% and 17.1% in the Elementary and High School Districts, respectively. This year is not a reassessment year, so the taxable value only increased by 3.09% in the Elementary District and 3.19% in the High School District—largely attributable to newly taxable property coming onto the tax rolls. With the growing tax base (i.e. new construction), the tax payers actually see a decrease in taxes on their

annual bill. The amount of money the District levies are typically set amounts per Montana Code Annotated (MCA). Meaning, the larger the tax base, the less each home is required to pay for the district levies.



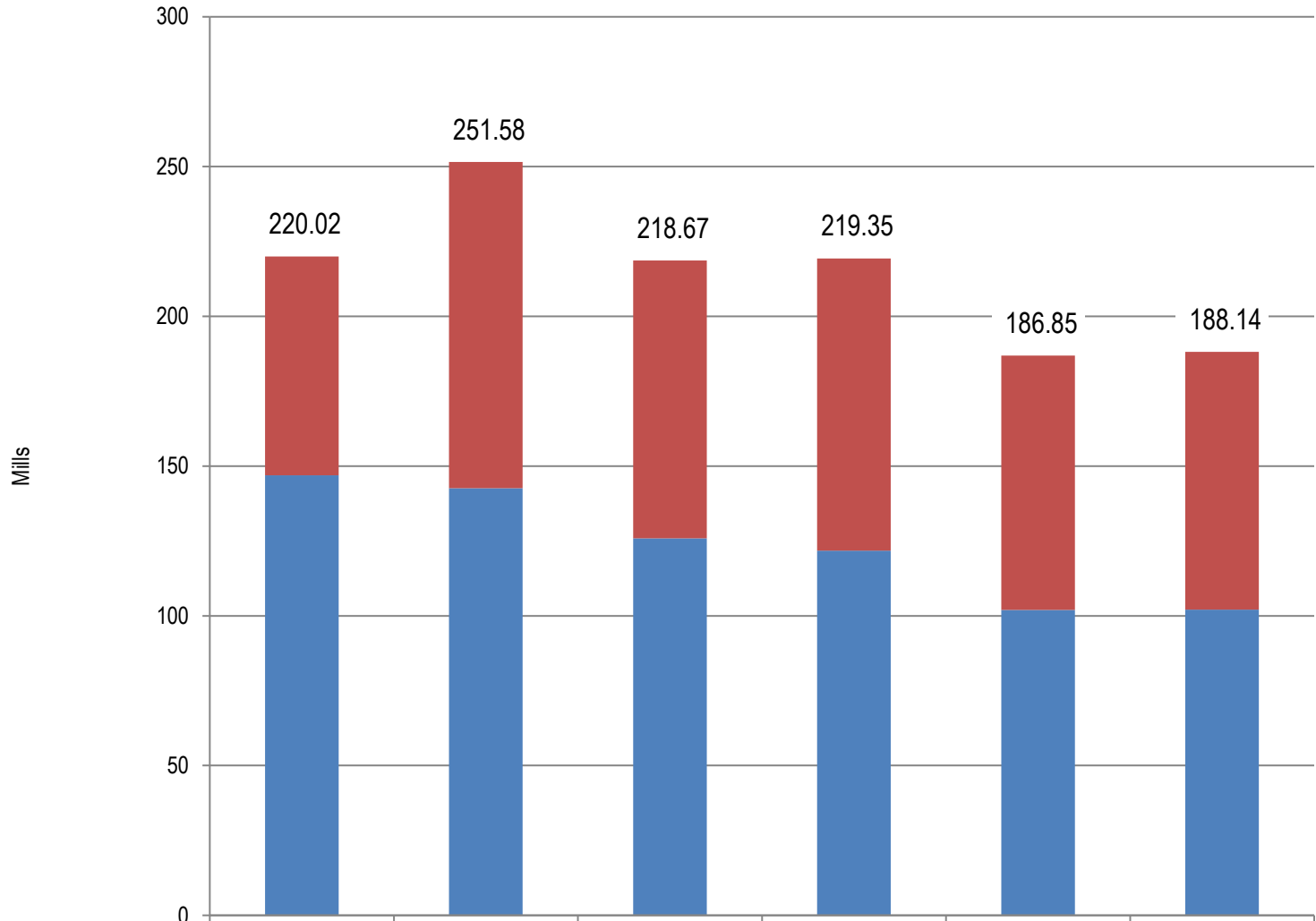
Source: Montana Department of Revenue



Source: District records

As a result of the taxable value increase, the increase in mills for the 2022-23 fiscal year is a minimal impact to taxpayers. The Elementary mills will increase by .10 mills, while the High School mills have an increase of 1.19. This totals an overall increase of 1.29 levied mills (0.7%) in both the Elementary and High School Districts:

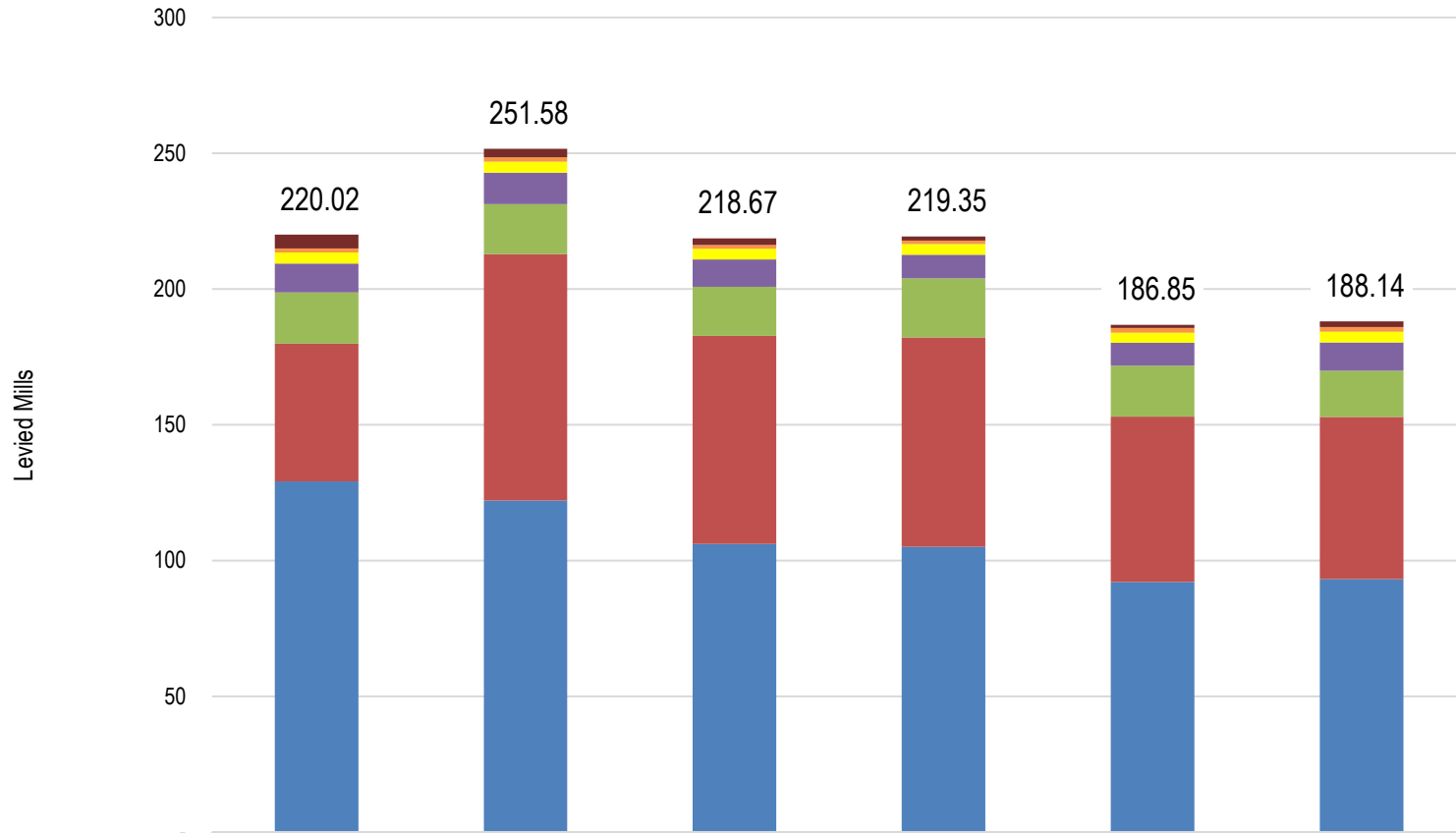
Bozeman Public Schools
Elementary and High School Levied Mills



	FY18	FY19	FY20	FY21	FY22	FY23
High School Mills	73.10	108.95	92.77	97.61	84.86	86.05
Elementary Mills	146.92	142.63	125.90	121.74	101.99	102.09
Total Mills	220.02	251.58	218.67	219.35	186.85	188.14

Source: District records

Bozeman Public Schools K-12 Levied Mills by Fund



	FY18	FY19	FY20	FY21	FY22	FY23
Flexibility	-	-	-	-	-	-
Tuition	5.04	3.02	2.44	1.46	1.25	2.18
Bus Depreciation	-	-	-	-	-	-
Adult Education	1.54	1.62	1.40	1.37	1.70	1.65
Technology	4.10	4.06	3.89	3.87	3.74	4.00
Transportation	10.60	11.64	10.10	8.73	8.41	10.45
Building Reserve	18.91	18.39	18.11	21.75	18.75	16.91
Debt Service	50.72	90.77	76.56	77.04	60.82	59.81
General	129.11	122.08	106.17	105.13	92.18	93.14
Total Levied Mills	220.02	251.58	218.67	219.35	186.85	188.14

Source: District records

Personnel Resource Changes

Montana's state accreditation standards provide the basic framework for the District's staffing model. While the District anticipates little to no growth in the Elementary District, the High School is anticipating 128 additional students during the 2022-23 school year. The economies of scale greatly diminished with the addition of Gallatin High School, and the staffing model reflects the class offerings available at each location. As a result, staffing increases are necessary to maintain the current master schedule:

Department	2021-22	2022-23	Change
	Actual	Budgeted	
Art	6.0	7.0	1.0
Business	3.0	3.0	-
Family & Consumer Science	3.0	3.0	-
World Languages	9.4	10.0	0.6
Language Arts	26.0	28.0	2.0
Math	21.2	21.6	0.4
Music	5.0	5.4	0.4
Health Enhancement	11.6	12.4	0.8
Science	15.3	17.1	1.8
Social Studies	19.0	20.2	1.2
T & I	7.4	8.2	0.8
BioMedical Science	3.0	3.0	0.0
Special Education	17.7	17.9	0.2
Library	4.0	4.0	-
Counseling	8.0	8.0	-
Specialists	8.8	10.1	1.3
Total Certified FTE	168.4	178.9	10.5
Administrators	7.0	7.0	-
GRAND TOTAL	175.4	185.9	10.5

Source: District records

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

Debt Changes

While the Bozeman School District was quite active in the debt market over the last decade, it appears that trend will not continue in the immediate future. The District currently operates eight K-5 elementary buildings, and our latest projections indicate those buildings will not reach capacity until 2031. Middle School Enrollment continues to maintain status quo, while the High School enrollment continues to increase. Because of the development of Gallatin High School, the enrollment numbers between the two high schools will not hit the functional capacity of the buildings in the long-term future.



Longfellow Elementary School

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. We will submit this document not only to seek ASBO's prestigious award, but also to benefit from the suggestions for improvement put forth by their review panel.

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 Lacy Clark at (406) 522-6045 or lacy.clark@bsd7.org or Mike Waterman at (406) 522-6097 or mike.waterman@bsd7.org if you have questions or need additional information.



Willson School – Central Office