Executive Summary

2025-2026 Adopted Budget

Bozeman Public Schools

404 W Main Street, Bozeman, MT 59715

Gallatin County

Bozeman Public Schools
404 West Main, P.O. Box 520
Bozeman, MT 59771-0520
www.bsd7.org

Lacy Clark
Director of Business Services/District Clerk
Voice: (406) 522-6045
Fax: (406) 522-6050
lacy.clark@bsd7.org

DATE: August 18, 2025

TO: Board Chair
Members of the Board of Trustees

FROM: Lacy Clark, Director of Business Services

RE: 2025-26 Budget Overview

On August 18, 2025 the Bozeman School District Board of Trustees adopted its budget for the 2025-26 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2025-26 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 ASBO Meritorious Budget Award program.

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
Kevin Black, Chair	2026	5 years	Real Estate Agent
Lauren Dee, Vice Chair	2028	3 years	Stay at Home Mom
Gary Lusin	2027	19.5 years	Physical Therapist
Greg Neil	2026	8.5 years	Insurance Agent
Lei-Anna Bertelsen	2027	4 years	Education Facilitator
Melissa Moran	2027	1 year	Restauranter
Sandra Wilson	2027	10.5 years	Retired Teacher
Sarah Wilson	2028	6 months	Associate Teaching Professor

Source: District records

Bozeman School District Board of Trustees at the July 2025 School Board Meeting

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 - Superintendent

Mr. Casey Bertram is the District's Superintendent and was appointed to this post effective January 2022. Prior to becoming the Superintendent, he served as the Interim Superintendent from 2020-2021 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.

Major Goals and Objectives – Long Range Strategic Plan

Bozeman School District has used a Long-Range Strategic Plan (LRSP) to guide and focus the District. The LRSP process was initially 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. In 2023-24, the LRSP was revisited by a group consisting of Trustees, Administrators, staff members, High School students, and members of the public to review the goals, and to once again ensure the needs, wants, and preferences of the community are understood. The process consisted of seven public surveys, a two-day consensus circle, and board discussion and ultimate approval.

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:

Mission - *Bozeman Public Schools exist to ensure high level learning for all students.*

Vision – *Bozeman Public Schools will empower all students to reach their full potential for achievement and thrive in their community. We will promote inclusive community involvement; support a passionate education team; and nurture a dynamic learning environment.*

Core Values

- High Student Achievement: We commit to ensure all students learn at their highest potential.
- Committed, Quality Staff: We strive to attract, retain, and support well-qualified, dedicated, and passionate staff members.
- Inclusive Culture: We foster respect, diversity, and adaptability, where all stakeholders feel safe, empowered, supported, and valued.
- Collaborative Engagement: We believe quality staff, family engagement, and community support are essential contributors to student well-being and achievement.
- Integrity and Transparency: We operate with honesty, use research-based decision making, and provide open communication.
- Fiscal Responsibility: We are responsible in the management and expenditure of all District resources.

Goal Areas

- Goal Area 1: Academic Performance: All students meet or exceed the academic standards necessary for college and career readiness.
- Goal Area 2: Operations and Capacity Building: District operations, facilities and human resources promote an effective and responsive educational system.
- Goal Area 3: Community Engagement and Partnerships: Bozeman Public Schools maintains an environment that promotes engagement with educational stakeholders at the local, state, and national levels to successfully educate our students.
- Goal Area 4: Student and Staff Well-being: Bozeman Public Schools utilizes supportive and responsive systems that promote the safety and holistic well-being of students and staff.

Five Year Plan - Measurable District Goals

Goal Area 1 - Academic Performance

- **Grade Level Reading Goal:** By 2029, 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.
- **Graduation Goal:** By 2029, 95% of BSD7 students in each graduation cohort will earn a high school diploma in four years or fewer.

Goal Area 2 - Operations and Capacity Building

- **Professional Learning Communities (PLCs) Goal:** By spring of 2028 all BSD7 schools PK-12 will have fully implemented PLCs in place that will support the closing of the achievement gap, thus qualifying BSD7 as a Solution Tree Model PLC District.
- **Non Instructional Operations Goal:** By 2025 the District will establish measurable goals for the non instructional operations of the District.

Goal Area 3 - Community Engagement and Partnerships

- **Early Literacy Goal:** 85% of all children entering Kindergarten will have requisite literacy skills as measured by Acadience.

Goal Area 4 - Student and Staff Well-being

- Staff Well-Being Goal: By 2028, BSD7 will increase staff well-being to 85% or above as measured by the Panorama survey.
- Student Well-Being Goal: By 2031, fewer than 15% of students will self-report depression symptoms as measured by the Youth Risk Behavior Survey (YRBS). This represents an almost 60% decrease in self-reported depression symptoms at the high school level, and an almost 50% decrease at the middle school.

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 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 2025-26 budget has been in the planning stages since August 2024.

Budget Development Process and Timeline

While the Bozeman School District is an entity by itself, it is comprised of two separate Districts. The Elementary District (grades K-8) and the High School District (grades 9-12). This budget document will go into details as to the individual District budgets. While they are discussed in great detail individually, it must be noted that holistically, the District looks to the big picture of K-12 learning and how it can best fit the needs of all our students, regardless of the District in which they are in. Therefore, our Long Range Strategic Plan speaks to K-12 goals. However, for budgeting purposes, the two Districts are their own entities and will be discussed as such throughout this document.

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.

Although the budget calendar has deadlines and expectations throughout the year, the most impactful dates on the annual timeline are:

Activities	Personnel Involved	Timeline
Prepare Average Number Belonging (ANB) Estimates and Projections	Exec Dir of Business & Operations/ Director of Business Services	11/11/2024
69th Montana Legislative session convenes	N/A	1/6/2025
Revise and finalize ANB Calculation and/or Projection	Exec Dir of Business & Operations/ Director of Business Services	2/3/2025
Present Preliminary General Fund Budget to the Board	Board of Trustees/Admin	2/10/2025
Board call for May 2025 Trustee, General Fund, and Special Levy Elections	Board of Trustees	2/10/2025
Provide notice of intent to increase non-voted levies	Board of Trustees/Admin	3/10/2025
Approve resolution estimating amounts available and projects or improvements expected to be funded by School Major Maintenance account	Board of Trustees/Admin	3/10/2025
Set amount of voted levy	Board of Trustees/Admin	3/31/2025
Conduct Trustee and Special Levy Election	District Clerk/County Clerk & Recorder	5/6/2025
Projected 90th (final) day of 69th Montana Legislative session	N/A	5/9/2025
Present preliminary budget for all Budgeted Funds	Board of Trustees/Admin	7/28/2025
Adopt Final Budget	Board of Trustees	8/18/2025

It is important to note that while the Meritorious Budget Award requirements dictate three years of projections, Montana's bi-annual Legislative session structure only allows Districts to reasonably forecast two-year periods at a time. Therefore, while this document includes a three-year forecast to meet those MBA requirements, readers should treat the third-year numbers in particular as general estimates rather than exact predictions—despite any appearances to the contrary.

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 Records – Megan Roth, Bozeman Reads Early Literacy Center

FINANCIAL SECTION

Immediately, the Bozeman School District's finances remain healthy. Voted levy requests continue to pass in our community, General Fund reserves are 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.

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 2025-26 is $128,610,749. This total represents an increase of $6,380,187 (5.2%) over the prior year's budget:

	FY2024-25 Budget	**FY2025-26 Budget**	Change $	Change %
General	$ 62,287,942	**$ 66,785,107**	$ 4,497,165	7.2%
Debt Service	18,003,800	**18,137,825**	134,025	0.7%
Building Reserve	21,443,566	**21,651,761**	208,195	1.0%
Retirement	10,400,000	**10,700,000**	300,000	2.9%
Transportation	5,283,026	**6,386,332**	1,103,306	20.9%
Technology	1,446,908	**1,607,005**	160,097	11.1%
Adult Education	845,302	**886,348**	41,046	4.9%
Bus Depreciation	655,753	**685,955**	30,202	4.6%
Tuition	1,540,029	**1,484,016**	-56,013	-3.6%
Flexibility	324,236	**286,400**	-37,836	-11.7%
Total K-12	$ 122,230,562	**$ 128,610,749**	$ 6,380,187	5.2%

Source: District records

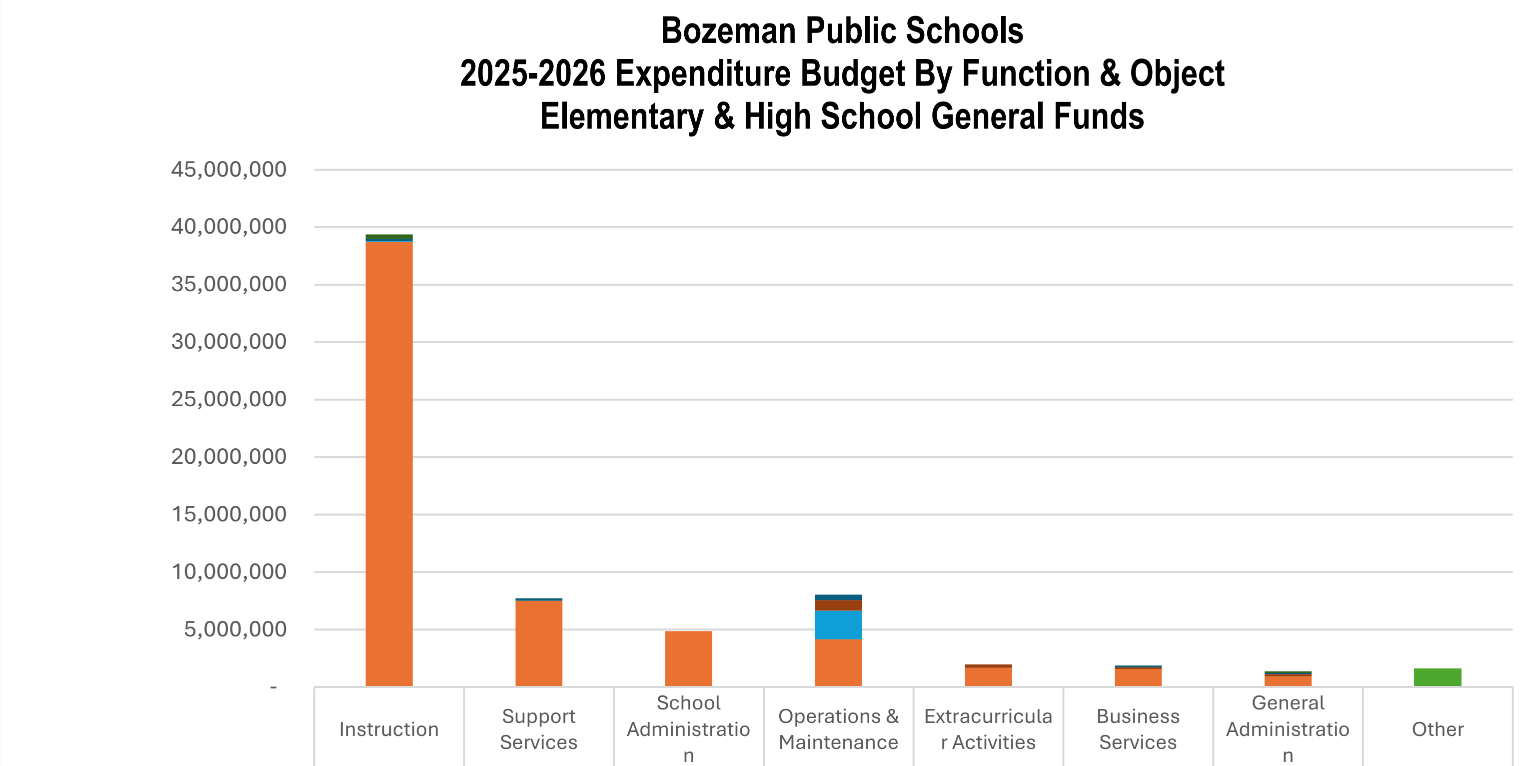
The increase in expenditures is largely attributed to contractual salary adjustments, health insurance increases, and inflationary pressures on districtwide services and operations. To support this spending, the District will reappropriate $18.9 million in fund balance across various funds—$811,738 less than what was reappropriated into FY2025 budgets. This usage aligns with our strategic financial approach to manage fluctuations in revenue while maintaining program continuity. However, ongoing operational costs, such as staffing, are not supported by General Fund reappropriated balance, which is spent down to $0 each year.

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 $128,610,749 in total budgeted expenditures, the District plans to spend $53,954,701 (42.0%) on Instruction and $78,734,485 (61.2%) on Salaries and Benefits – the largest single function and object amounts, respectively.

The following graph summarizes the combined Elementary & High School General Fund expenditure data for 2025-26 by Function & Object:

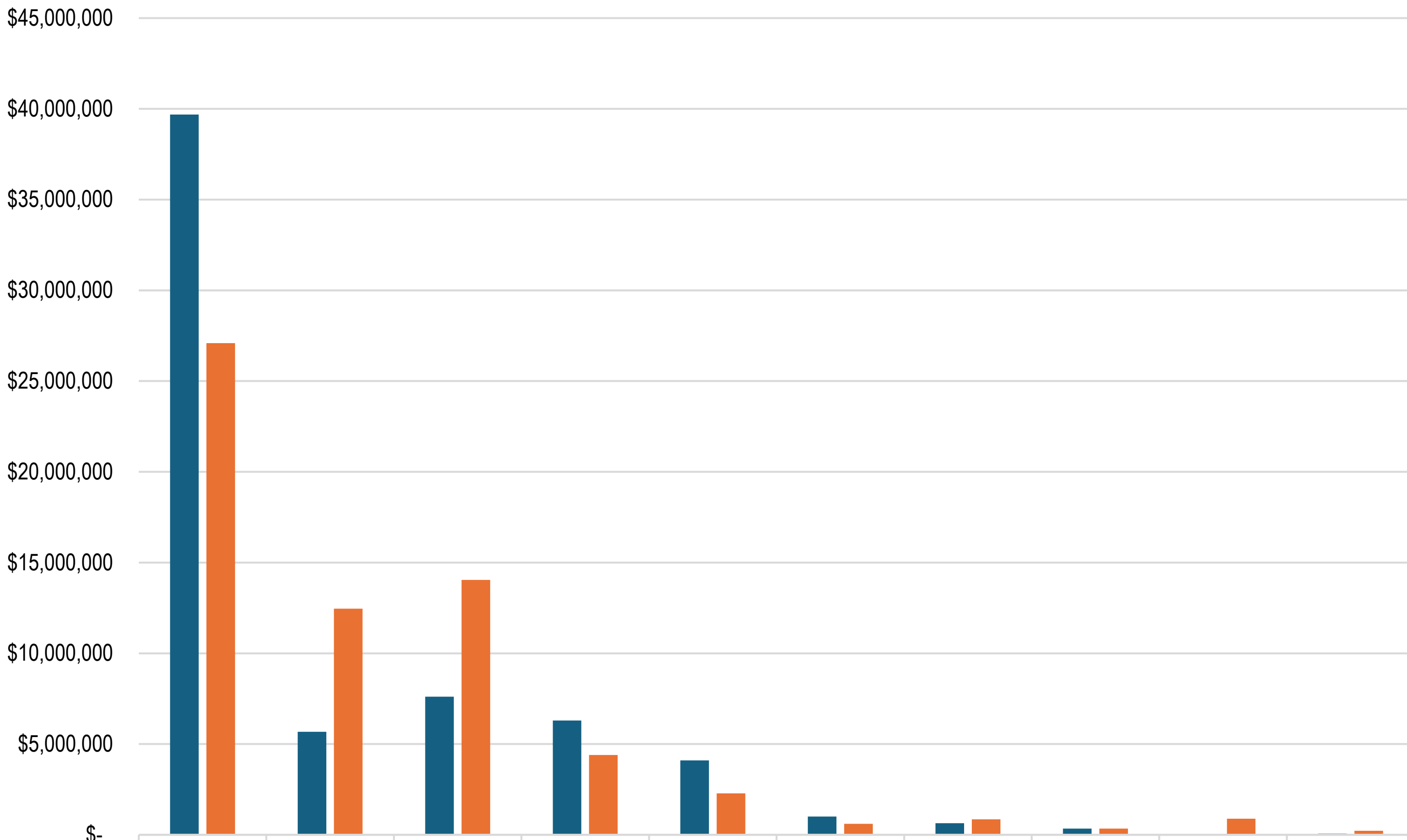


	Instruction	Support Services	School Administration	Operations & Maintenance	Extracurricular Activities	Business Services	General Administration	Other
Property & Equipment				-				
Prof. & Technical Services	393,170	17,000				11,000	141,700	
Supplies & Materials	214,479	199,450		478,527		160,947	97,200	
Other Purchased Services				910,056	301,679	130,104	200,797	
Other								1,592,115
Property Services	63,669			2,501,671				
Salaries & Benefits	38,705,465	7,503,915	4,862,509	4,141,150	1,660,671	1,573,158	924,673	

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

Bozeman Public Schools

2025-26 Spending Authority - All Budgeted Funds



	General	Debt Service	Building Reserve	Retirement	Transportation	Technology	Tuition	Bus Depreciation	Adult Education	Flexibility
Elementary	$39,691,204	$5,674,300	$7,606,528	$6,300,000	$4,100,132	$1,002,140	$635,606	$342,840	$-	$64,400
High School	$27,093,903	$12,463,525	$14,045,233	$4,400,000	$2,286,200	$604,865	$848,410	$343,115	$886,348	$222,000

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 has a structural imbalance, while the high school is in the black for the first time since 2019-2020. However, even with the positive outlook in the High School, the overall balance between the two Districts is in the red by a total of $3,244,502 (4.86%) system-wide:

	Elementary	High School	K-12 Total
Projected General Fund Budget Limit w/ a Vote	$ 39,691,204	$ 27,093,903	$ 66,785,107
Budgeted General Fund Expenditures	$ 43,167,167	$ 26,862,442	$ 70,029,609
Remaining Capacity/(Structural Imbalance)	$ (3,475,963)	$ 231,461	$ (3,244,502)

Source: District Records

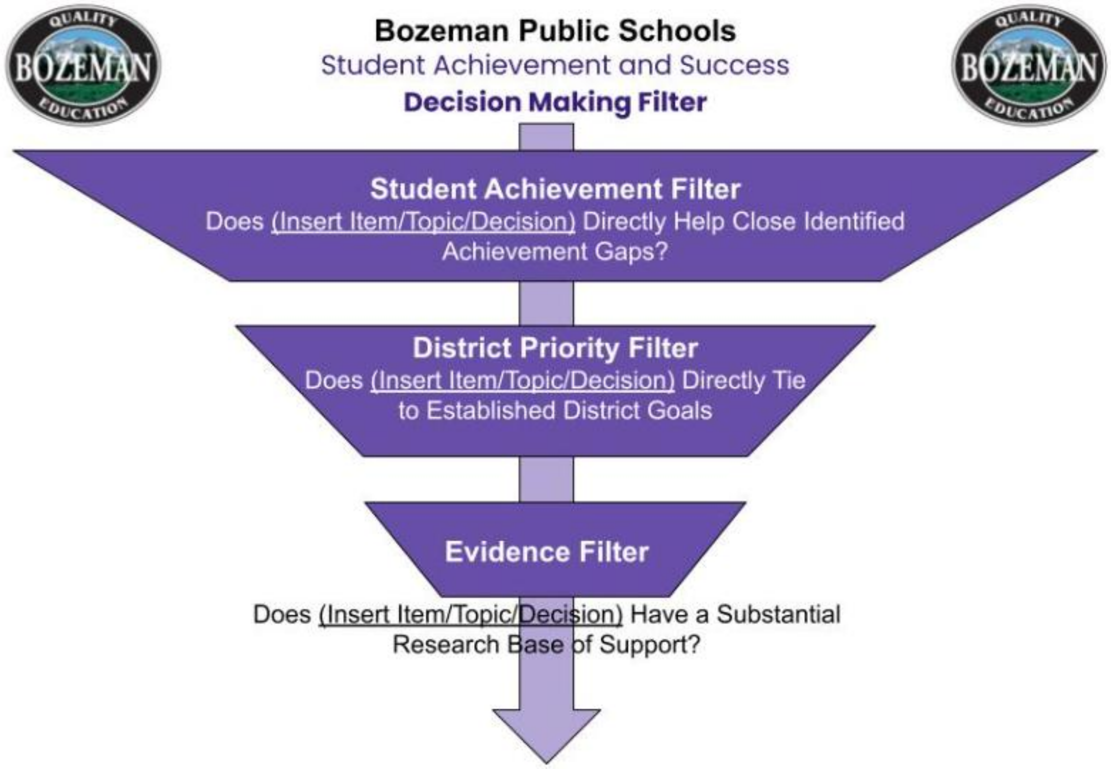
The District acknowledges that the use of reappropriated fund balance is a regular and planned component of our annual budgeting process. Fund balances are built into the District's budget trajectory each year and are expected to remain available for the foreseeable future. While the amount of fund balance utilized may fluctuate from year to year based on operational needs and revenue conditions, the District does not anticipate the fund balance to have a negative or positive effect on the structural deficit. While the budget deficit remains a significant concern, the Montana Legislature took meaningful steps during the 2025 session to strengthen school funding. Notably, new state-level investments were tied to the number of quality educators, and a decennial study was established to evaluate the state's public education funding formula ahead of the 2027 session.

The District continues to actively advocate for adequate and equitable school funding through our participation in statewide advocacy groups and through direct engagement by our Board of Trustees with the Montana Legislature. These challenges are not unique to our community—districts across Montana are facing similar structural deficits and increasing pressure to maintain services with limited resources. While we will continue to make thoughtful, internal adjustments to manage our budget, the long-term solution must come from the state's commitment to fully funding public education.

Significant Trends, Events, and Initiatives

With the recent LRSP revision, the district continues to aim for all schools to fully implement Professional Learning Communities (PLCs) by Spring 2028, aspiring to become a Solution Tree Model PLC District. In addition, the district has set a goal of 90% of third-grade students to achieve grade-level reading proficiency by 2029 as measured by the Acadience reading assessment.

In response to evolving educational needs and as a result of the budget reduction process that took place in 2022-23, a new block schedule was implemented in both High Schools during the 2024-25 school year. This schedule change aimed to enhance instructional time and improve budget efficiency. This scheduling shift aligns with the district's LRSP, which emphasizes academic performance and operational capacity building. By adopting block scheduling, the district is able to provide a more effective and responsive educational system, fostering an environment conducive to high-level learning for all students based on the Student Learning Decision Making Filter in Policy 3610:



Source: District Records

In addition to implementing a new block schedule at the high school level, the District continues to face significant challenges related to recruitment and retention. While Bozeman remains a highly desirable place to live, the local housing market has experienced dramatic cost increases since the pandemic, with the cost of renting or purchasing a home in Gallatin County becoming unaffordable for many. These affordability issues have directly impacted the District's ability to attract and retain qualified candidates across all employee groups. Where administrative openings such as principal positions once drew over 100 applicants, the District is now receiving fewer than five. Many out-of-area candidates withdraw their applications upon evaluating the region's cost of living.

In response to these systemic challenges across the state, the 2025 Montana Legislature passed House Bill 252—commonly known as the "STARS Act." This $100 million initiative, signed into law by Governor Greg Gianforte, is designed to address the statewide teacher shortage by incentivizing school districts to raise starting teacher salaries to at least 70% of their respective average teacher pay. Meeting this threshold allows districts to qualify for enhanced state support. Additionally, the legislation authorizes districts with a high cost of living to pursue voter-approved funding increases specifically to offset affordability concerns. Although Bozeman Public Schools has not yet pursued such a funding initiative, this option remains under consideration for future ballot proposals as the District continues to evaluate sustainable strategies to support and retain high-quality educators and staff.

Another method of recruitment and retention within the District is the continuation of our "Grow Your Own Teacher" program. The vision of the program is to actively recruit and support Bozeman School District graduates and Classified (hourly) employees who display aptitude and a passion for entering the teaching profession.

The program is now in its second year and has had great success in advancing Classified employees through two separate pathways. The first is through the American Board for Certification for Teacher Excellence

(ABCTE). It is a non-profit, alternative teacher certification program that is designed for individuals with a bachelor's degree looking to transition into teaching. The Grow Your Own Teacher program is selecting BSD employees who have bachelor degrees in varying fields and are looking to further their teaching career. This alternative option to obtaining a teaching certificate allows the District to quickly allow employees to obtain their licensure at minimal cost. This program helps ensure we have certified teachers in the classroom, where it matters most.

The second pathway supports employees who have not yet earned a bachelor's degree and are pursuing a more traditional route toward teacher licensure. Through this option, the District provides targeted tuition assistance to selected finalists who are actively enrolled in accredited teacher preparation programs. This long-term investment enables the District to support the academic and professional development of Classified staff who are building their credentials from the ground up. By assisting these individuals in completing their degrees and state certification requirements, the program not only fosters internal career growth but also strengthens the future teacher pipeline within our own workforce.

Overall, the District budgeted $25,000 for the first year of this program, and will provide an additional $25,000 during the second year of the program for a total of $50,000 in funding. For 2025-26, the District will sponsor five employees through the ABCTE program, and an additional eight employees through the more traditional bachelor degree program. This is a growing program, and the District was pleased with the number of applications received this year – a total of fifteen applications were received.

Bozeman Public Schools will continue to expand its early literacy initiatives in the 2025-26 school year with the enhancement of programming introduced in response to HB352 – Targeted Early Literacy Intervention, passed during the 2023 legislative session. Since 2015, the District had operated two "Running Start" Kindergarten programs serving four-year-old students under the "exceptional circumstances" provisions of Montana law. HB352 sunset those provisions effectively ending that program, but it also created broader opportunities and funding mechanisms to support literacy development for students up to third grade.

Beginning in the summer of 2024, Bozeman Public Schools launched a multi-pronged early literacy initiative aligned with HB352. That initiative included:

- Jump Start summer school programming for incoming kindergarten through third-grade students not yet proficient in reading;
- Classroom-based programming during the school year for four-year-old students with emerging literacy skills; and
- At-home, technology-based programming facilitated by the Montana Office of Public Instruction for students needing additional literacy support.

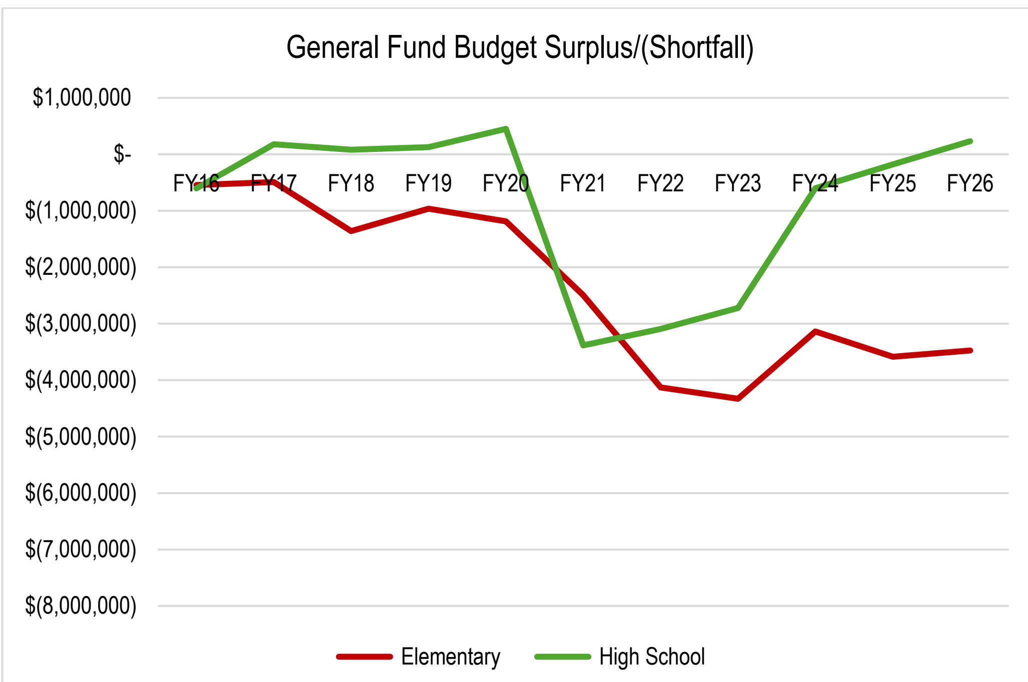
In August 2024, the District opened the Bozeman Reads Early Learning Center at Morning Star Elementary, serving four-year-old students identified as not yet proficient in early literacy skills. The Center launched with four classrooms in its inaugural year and will expand to five classrooms in the 2025-26 school year. This expansion reflects the District's continued commitment to its Long-Range Strategic Plan (LRSP) early literacy goal: 85% of all children entering kindergarten will demonstrate requisite literacy skills as measured by Acadience.

The early literacy programming is funded through the General Fund. However, state enrollment-based funding for the additional classroom will not begin until the 2026-27 school year. In the interim, the cost of operating the fifth classroom—estimated at $100,000—will be supported using one-time funds previously accumulated in the District's Interlocal Agreement Fund.

Another 2023 Legislative change was the passage of HB203 – Open Enrollment. HB203 enhances student and parent choice in where children attend school, and it is about ensuring that the educational costs of nonresident students are not transferred onto the taxpayers of a district of attendance. It requires tuition payments from the district of residence to the district of attendance.

Historically, the Bozeman School District has not allowed out-of-district students to enroll without special circumstances. Beginning in 2024-25, Bozeman Public Schools opened its doors to out-of-district students wishing to enroll in our District in accordance with HB203. Each incoming nonresident student must go through an application process that is approved or disapproved by the Board of Trustees. Once a student is approved by the Board, the student is then assigned a specific school. The school assignment is based on current in-district enrollment, and where there is classroom availability. While there were certainly unknowns regarding how many students would enroll, the ultimate enrollment increase/decrease with incoming & exiting students has been nearly a wash.

While the enrollment impact of HB203 has been relatively neutral in terms of overall student numbers, the financial challenges facing the District remain significant. Enrollment growth alone is not a solution to the deeper fiscal issues at hand. Despite thoughtful management of new enrollment opportunities, the District continues to experience cost pressures—particularly in the Elementary District—due to rising expenditures and flat in-district enrollment.



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 shown, both the Elementary and High School budgets previously faced multimillion-dollar deficits, which were carefully analyzed through the budget committee consensus process. Due in part to legislative changes such as HB252, the Elementary District's structural balance has begun to trend slightly upward. However, this positive shift remains fragile. Flat enrollment, reduced federal funding, and rising operational costs continue to put pressure on the Elementary budget, and ongoing vigilance will be essential to maintain and improve this trend. Meanwhile, the High School budget is currently on a more positive trajectory, but that line is expected to level out over time as smaller elementary cohorts advance into the secondary grades. These realities reinforce the need for continued innovation, fiscal discipline, and strategic decision-making to ensure long-term financial sustainability while maintaining high-quality educational opportunities.

In 2025, voters approved a new Elementary Building Reserve Levy for capital improvement projects, providing $2.3 million per year for six years, totaling $13,800,000. This levy replaces an expiring $2 million levy, ensuring continued investment in the district's facilities.

In addition to the Building Reserve Levy, the District asked voters for permanent General Fund levies in both the Elementary & High School Districts for 2025-26, which were approved during the May 6, 2025 election. The District also has the ability to permissively levy funds from Tuition, Transportation, and Adult Education funds to support specific programs and departments within the District. The overall funding increase reflects the following significant fund budget changes:

- <u>$4,497,165 increase in the General Funds.</u> 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 2025-26 and 2026-27 by 3.00% each year, based on an inflation formula defined in statute. A significant portion of the increase is also attributable to the passage of HB252. This legislation provides additional state funding to districts that meet specific thresholds for starting teacher salaries. By aligning with these requirements, the District became eligible for enhanced Quality Educator payments, resulting in a meaningful increase in General Fund revenue.

  Another reason for the overall General Fund increase is the High School enrollment count. The enrollment at the High School saw an additional 39 students from the prior year, continuing the trend of growth over the past fourteen years. This enrollment increase gave the High School District the ability to ask voters for an over-base General Fund levy of $240,000. While the Elementary District didn't see growth, the enrollment maintained a level at which the district was able to ask voters for a General Fund levy in the amount of $250,000. This was due to the inflationary increase approved by the legislature in which 20% of the total approved inflationary increase must be approved by voters.

- <u>$208,195 increase in the Building Reserve Funds.</u> While the District continues to maintain and budget for Capital Improvement projects, the fund balance reappropriated from FY25 to FY26 has increased the overall budget in Building Reserve Funds. No extraordinarily large projects were undertaken during the previous fiscal year, both the Elementary & High School reappropriated funding to cover upcoming Capital Improvement projects. Additionally, voters approved the renewal of the elementary building reserve levy on May 6, 2025. The renewed levy, increased by $300,000 to $2.3 million annually for a six-year term, will provide dedicated funding to support ongoing facility maintenance, safety upgrades, and future capital needs. This renewed community investment ensures the District can continue addressing the long-term infrastructure requirements of its elementary schools.

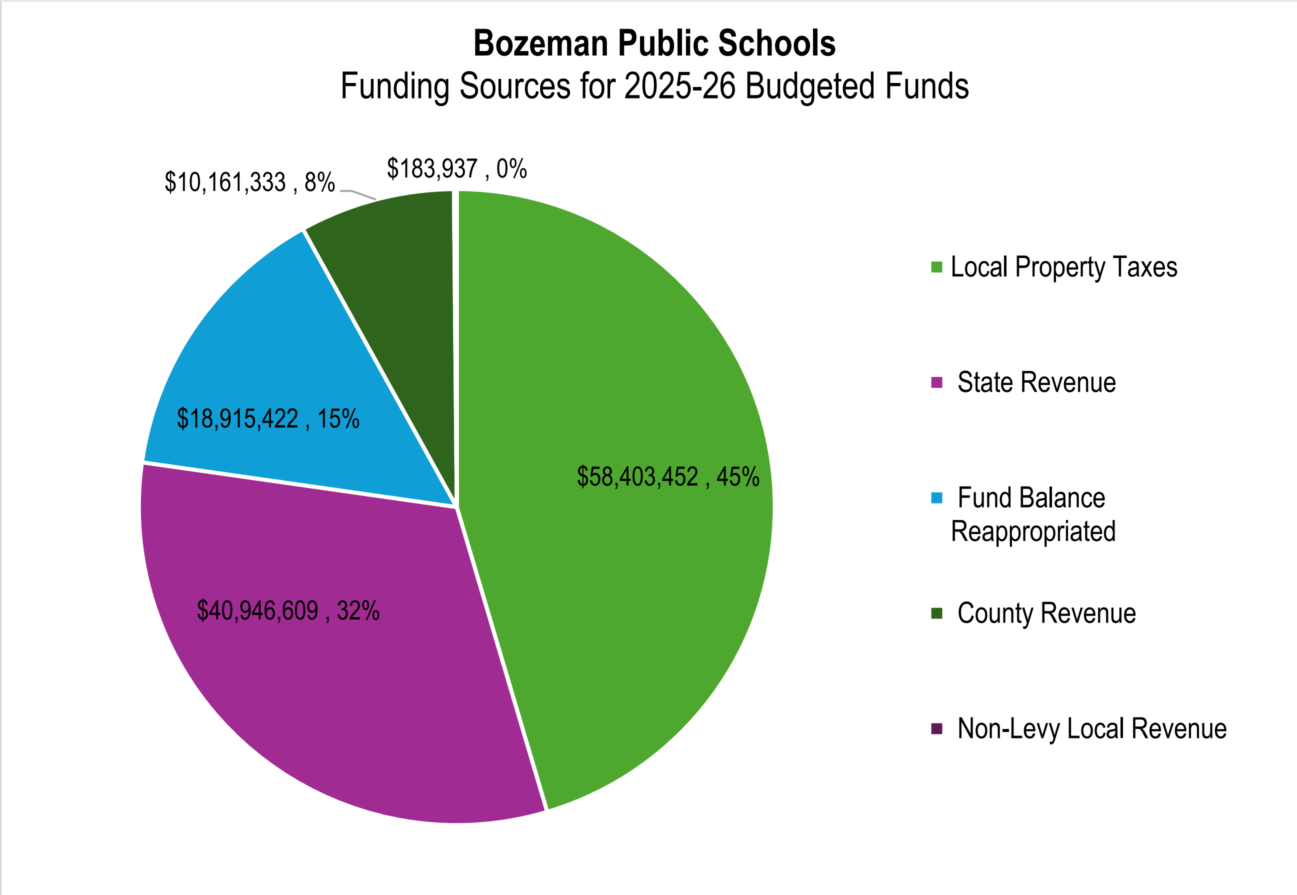
- <u>$1,103,306 increase in the Transportation Funds.</u> In July 2025, the District's bus contractor, First Student, approached the Board of Trustees regarding increasing staff wages to ensure all bus routes successfully run each day during the 2024-25 school year. The cost of living in Bozeman is exponentially higher than they originally anticipated with the contract renewal, and they have struggled to hire and retain bus drivers throughout the 2023-2024 school year. Therefore, the Board of Trustees approved increased rates for the remaining four years of the contract. This increase gave First Student the ability to negotiate higher pay rates for the drivers ($40/hour beginning August 1, 2024), and staff the routes throughout the school year. Therefore, an increase in the Transportation Fund budget was required and will continue for the foreseeable future.

In addition to the large hourly increase, the implementation of the Bozeman Early Literacy program has enabled more Pre-K students to attend as well as additional Special Education routes that have been created over the last year. Therefore, additional bus routes have been required in order to ensure their ability to access to all the Districts' programs. Because of these scenarios, the District has had to permissively levy additional money within the transportation fund.

- $37,836 decrease in the Flexibility Funds. In 2024-25 The District was awarded an Advanced Opportunities Grant through the State of Montana. This grant expands personalized career & technical education opportunities for middle and high school students; reduces out-of-pocket costs for students and families in support of a student's post-secondary success; empowers students to actively engage in forming post-secondary success that aligns with their individual interests, passions, strengths, needs and culture; and authorizes elected school boards to use advanced opportunity aid to invest in Montana students by supporting individualized pathways for career and post-secondary. This grant will continue not impact taxpayers, and it will pave the way for a bright and productive future for our students. The District will continue to receive funding for this program into the 2025-26 school year, but at a slightly reduced rate due to state specific reporting requirements.

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 $128,610,749 in expenditure budgets adopted for 2025-26 will be funded as follows:



Source: District records

The following table compares these budgeted funding sources for 2025-26 with those budgeted for the prior year:

	2024-25	2025-26	Change
Local Property Taxes	$ 56,305,072	$ 58,403,452	$ 2,098,379
Non-Levy Revenue	46,198,329	51,291,878	5,093,549
Fund Balance Reappropriated	19,727,160	18,915,422	(811,738)
Total	$ 122,230,562	$ 128,610,749	$ 6,380,187

Source: District records

In addition to the revenue streams, the reappropriated fund balances are fully integrated into each fund's future year budget and serve as a resource to support ongoing operations. These balances are not held for a specific purpose beyond what is already detailed within the respective fund budgets; rather, they are absorbed into the overall financial plan and allocated according to each fund's established priorities and expenditure needs.

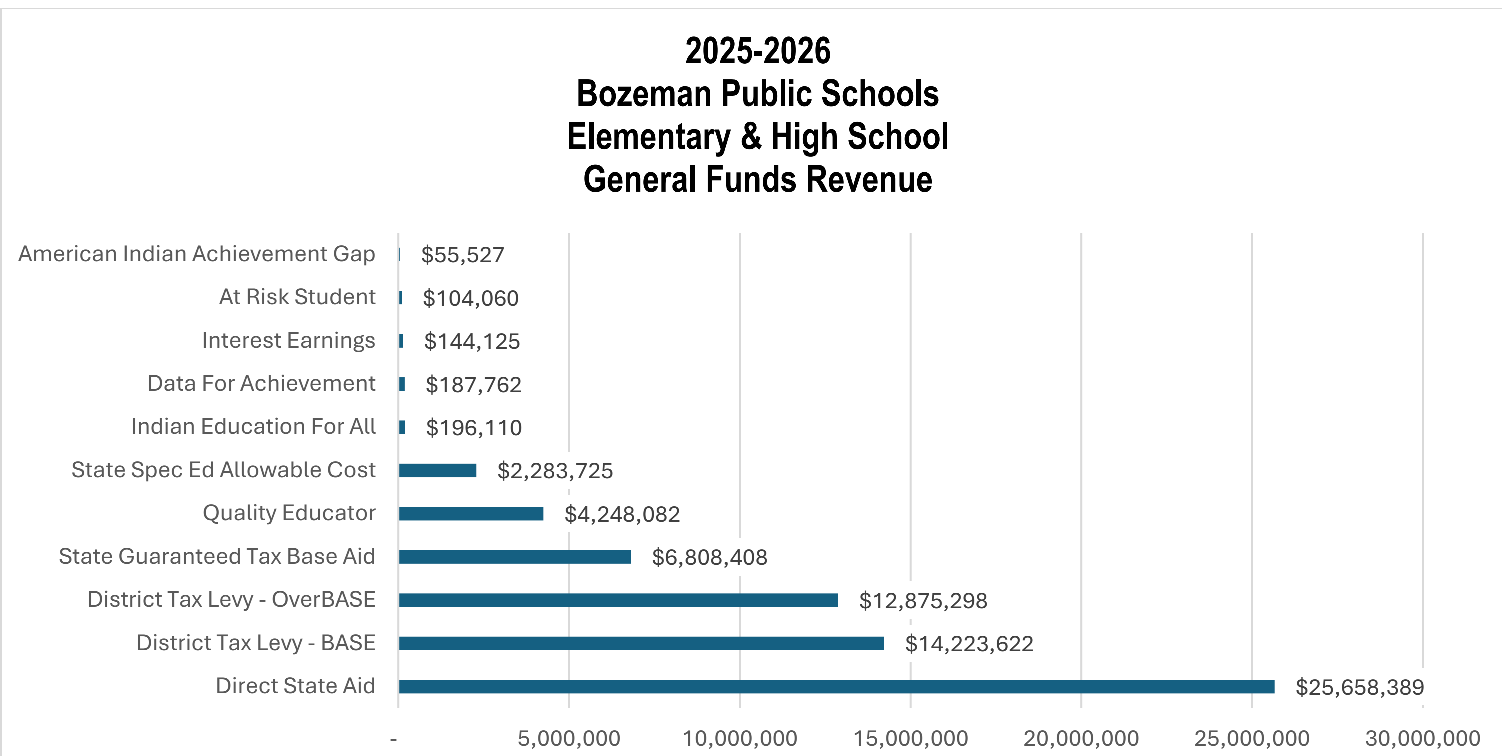
General Fund Revenue Structure:

Montana's General Fund budget for schools is built primarily on two entitlements: the *Basic Entitlement* and the *Per-ANB Entitlement* (Average Number Belonging). These entitlements are determined by student enrollment and inflationary factors set by the Legislature. Additional weighted funding is applied when a district exceeds certain student enrollment thresholds. Though districts do not receive these entitlements as separate payments, they form the basis of the *Direct State Aid*, which is the primary state contribution to General Fund budgets.

To support educational equity and adequacy, the state provides a series of additional payments, including the *Quality Educator*, *At-Risk Student*, *Indian Education for All*, *American Indian Achievement Gap*, *Data for Achievement*, and *Special Education Allowable Cost* payments. These are formula-driven allocations meant to support specific educational goals or populations, and most are considered discretionary funds under the trustees' authority. Certain payments, like Indian Education for All and Data for Achievement, require districts to spend funds for their intended purposes and document those expenditures.

Each district's General Fund budget operates within two state-defined limits: the *BASE budget* (minimum) and the *Maximum budget*. Both are calculated using combinations of the state entitlements and payments noted above. Funding for these budgets comes from a mix of state aid and local property taxes. The state provides *Guaranteed Tax Base Aid (GTB)* to equalize local tax effort among districts with lower taxable value per student. Districts may adopt budgets above the BASE level using permissive mills and voter-approved over-BASE levies, subject to specific statutory limitations.

Below is a graph showing the combined General Fund revenue in the Elementary & High School Districts for the 2025-2026 fiscal year for a total of $66,785,107, or 52% of the overall budget. This graph shows the breakdown of all the funding components within the General Fund. These funding components will be addressed in more detail in the Financial Section of this document.



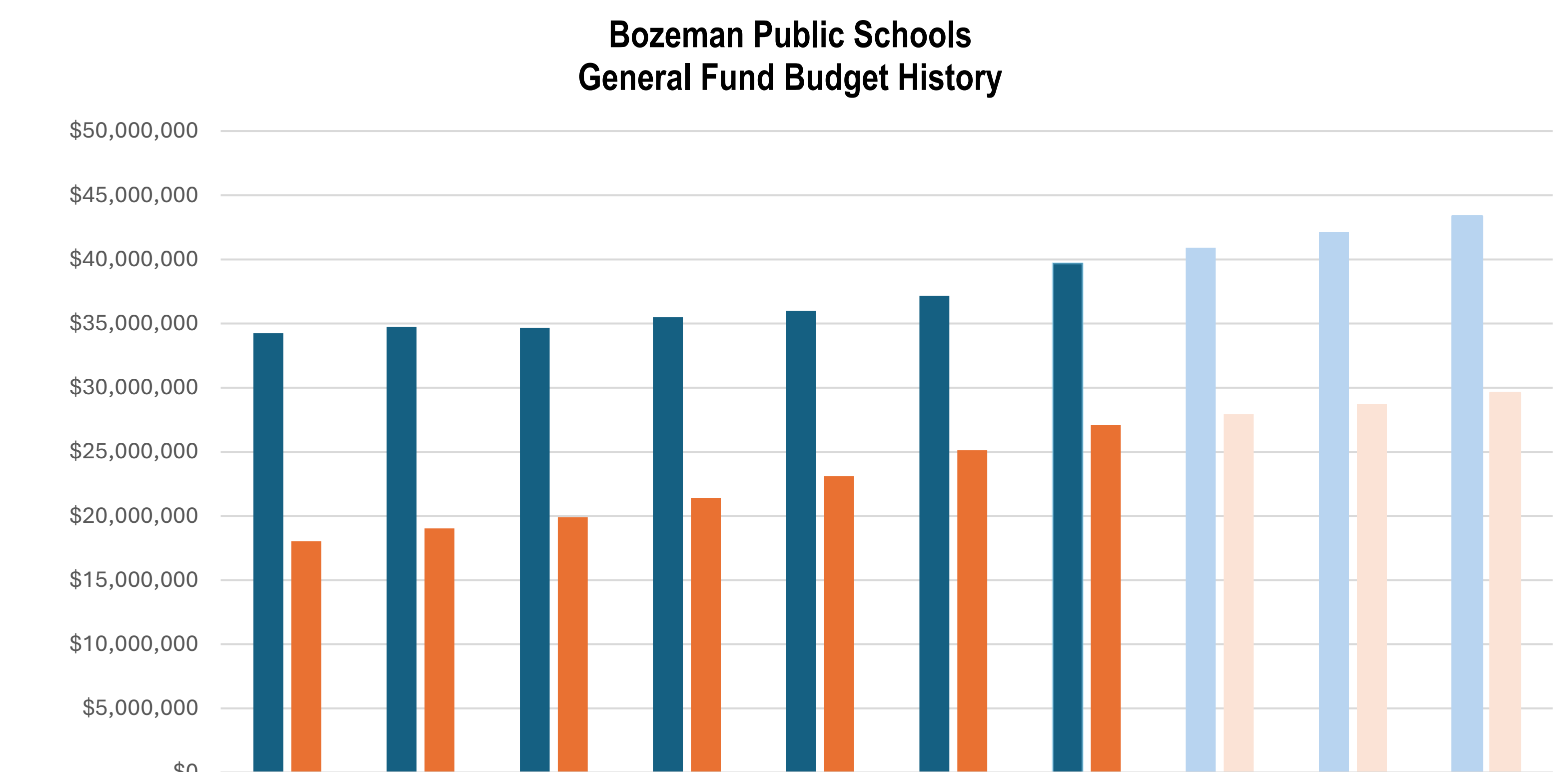
Source: District Records

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 legally 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.

Given that each year's budget hinges on the prior year's actual enrollment and inflationary 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. However, due to the requirements within this submission, the District projected rates out as far as three years. While this was done with intention, it is solely based off soft numbers, and no expectation that there will be significant changes in the Legislature in the upcoming year. Therefore, the District does not voluntarily advertise these amounts, as they are not legitimate standards for projecting a future budget. The following graph shows the District's historical and projected General Fund budget amounts:



	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27 Projected	FY28 Projected	FY29 Projected
Bozeman Elem	$34,246,657	$34,746,887	$34,671,905	$35,492,152	$35,996,164	$37,167,925	$39,691,204	$40,881,940	$42,108,398	$43,371,650
Bozeman HS	$18,027,833	$19,035,418	$19,909,386	$21,417,282	$23,107,388	$25,120,017	$27,093,903	$27,906,720	$28,743,922	$29,606,239

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 – specifically to ensure that the structural imbalance is kept at the forefront of conversation. While the High School General Fund structural imbalance is recovering as enrollment increases, the District successfully implemented block schedule changes at the High School in 2024-2025 to accommodate the new economies of scale that were lost when the District moved to a two high school model.

The Elementary District is experiencing lower enrollment over the five previous years, and no projected enrollment increases in the foreseeable future. Because of the enrollment decreases, the Elementary District had to act more quickly on the changes necessary to balance the budget. Therefore, the Middle School master schedule change to block scheduling took place effective for the 2023-2024 school year. These changes not only aligned with budget reduction needs, but they also directly advanced our District towards becoming a Professional Learning Community (PLC) District.

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 renewal of the Elementary Building Reserve fund, the District will levy $2.3 million/year to fund the cost of capital improvement projects that would otherwise compete with the general fund. In addition, the District will also continue to monitor its permissive (i.e., nonvoted) 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. During the 2025 legislative session, HB515 transferred $75 Million to a school facilities trust, with the additional interest earned from the transfer set to be used to increase state assistance for major maintenance needs. Currently, the maximum amounts accessible to the Elementary and High School Districts are $507,737 and $309,801, respectively, and these are the amounts included in the current year budget. In addition, the District is able to offset the taxes on $700,000 of the voter-approved $1 million annual transition levy, so only that portion will be levied in 2025-26.

- Transportation Funds. In addition to the hourly rate increase approved in summer of 2024, the number of routes necessary for home to school transportation has increased with the Bozeman Reads program, and the special education needs. The pay increase for the First Student drivers created a budget increase of approximately $1,103,306. This amount, in addition to the additional routes and the regular annual costs will be permissively levied to cover the expenses of operating home-to-school transportation.

- Technology Funds. 20-9-533, MCA requires that the amount budged pursuant to levies approved prior to July 1, 2013 may not, over time, exceed 150% of the original cost of the equipment. Because the Elementary levy is based on mills and last year's sizeable taxable value increase in the district, the District will be unable to levy the entire 3 mills for the 2025-26 year. Only 1.89 mills will be levied in that fund to remain in compliance with this depreciation requirement.

- Adult Education Funds. Parent Liaisons are professionals who work in the schools but are paid by THRIVE, a local non-profit. Parent Liaisons do not work directly with students; rather, they facilitate parenting classes, connect parents to community resources and support parent-teacher collaboration to build a bridge between the home and school and position students for success. The District contracts with THRIVE to provide the parent liaison services. Because the parent liaisons are only working with adults, $267,345 more of the contracted cost will be permissively levied through the Adult Education fund. Previously, this cost was spread out between the General Fund, Title I funds, and Adult Education funds. By funding this contract through the Adult Education fund, it alleviates $267,345 from the General Fund.

  In addition, the District is utilizing Adult Education funds for initiatives like the "Grow Your Own Teacher" program, which aims to address teacher shortages by encouraging and supporting current employees and former students to pursue careers in education. These funds provide essential financial resources for scholarships, training programs, and professional development opportunities tailored to adult learners transitioning into teaching roles. The Adult Ed fund will be investing $50,000 in FY26 to alleviate teacher shortages in our community. This targeted funding enables aspiring educators to acquire the necessary skills and credentials, fostering a new generation of teachers who are committed to making a positive impact in our community.

- Tuition Funds. HB203 passed through the legislature during the 2023 session and took effect in 2024-25. HB203 represents a pivotal shift in school district budgets across the state, significantly impacting financial planning and resource allocation. By restructuring how funds are distributed among districts, HB203 seeks to address disparities and ensure more equitable opportunities for all students, regardless of their geographic location or economic background. The implementation of HB203 necessitates careful consideration and adaptation within school district budgets, requiring adjustments to accommodate new funding mechanisms and compliance requirements. This bill revises education laws and allows students to enroll in the school of their choice, even if it is not within their District boundary. The state funding dollars will follow the student.

While the District allowed out-of-district applications for students wishing to enroll in the Bozeman Public Schools for the 2024-25 school year, the District also saw students of residence leave the Bozeman Public Schools to receive education within other nearby Districts. The Bozeman School District is required to pay for the tuition costs for these students. 20-5-324, MCA dictates that tuition fees associated with out-of-distance students are paid in the fiscal year following the dates incurred—a requirement that is not consistent with Generally Accepted Accounting Principles. Therefore, the District will permissively levy the tuition costs associated with the students that sought education in another public school district.

- 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.

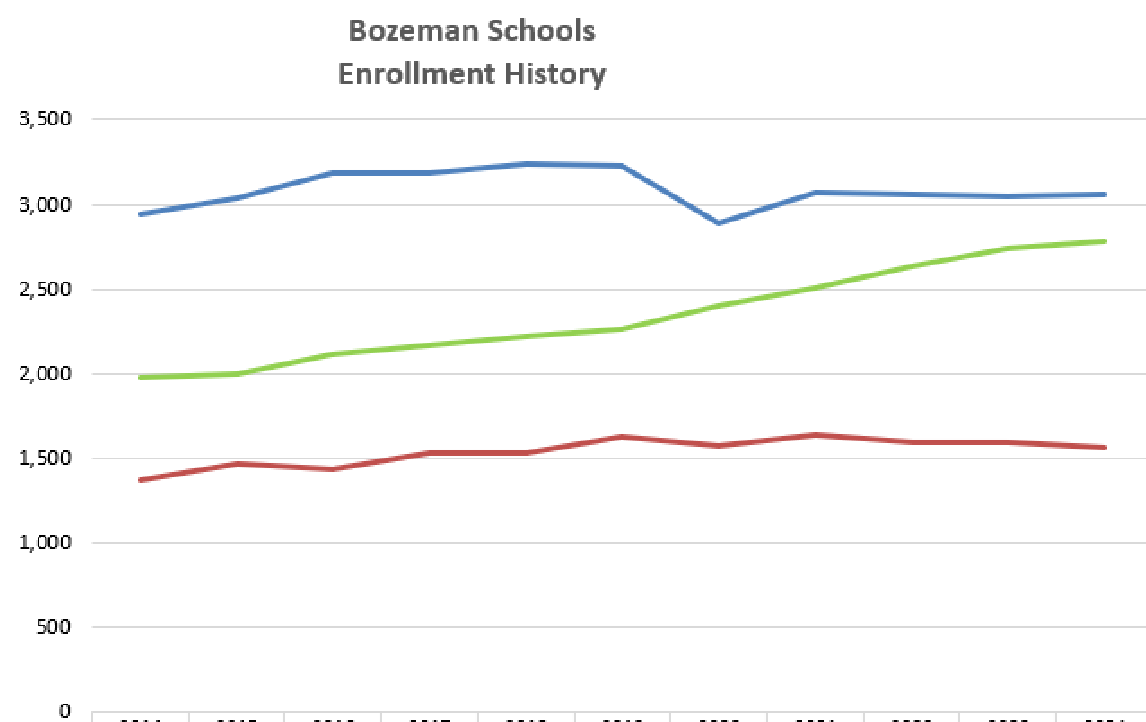
INFORMATIONAL SECTION

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 has leveled off. Official enrollment counts take place the first Monday in October as well as the first Monday in February.

The District utilizes the October data to annually review the enrollment trends and to make projections for future years. In October 2024, the K-8 elementary saw a decrease in enrollment, while the high school numbers once again set new record highs. The K-5 decrease is the fifth drop in enrollment in the last six years: the exception came in 2021 when the K-5 elementary gained back some of the enrollment that was lost from the COVID pandemic. In grades K-8, the 2024 enrollment count decreased by 52 students from the previous year’s count. However, with the addition of the Bozeman Reads program, the net student count increased by a total of 7 students in grade PreK-5. As a result, PreK-5 enrollment remains approximately where it was in the previous school year. While the District expects one more year of growth within the High School, it is anticipated that future years will level out in grades 9-12.



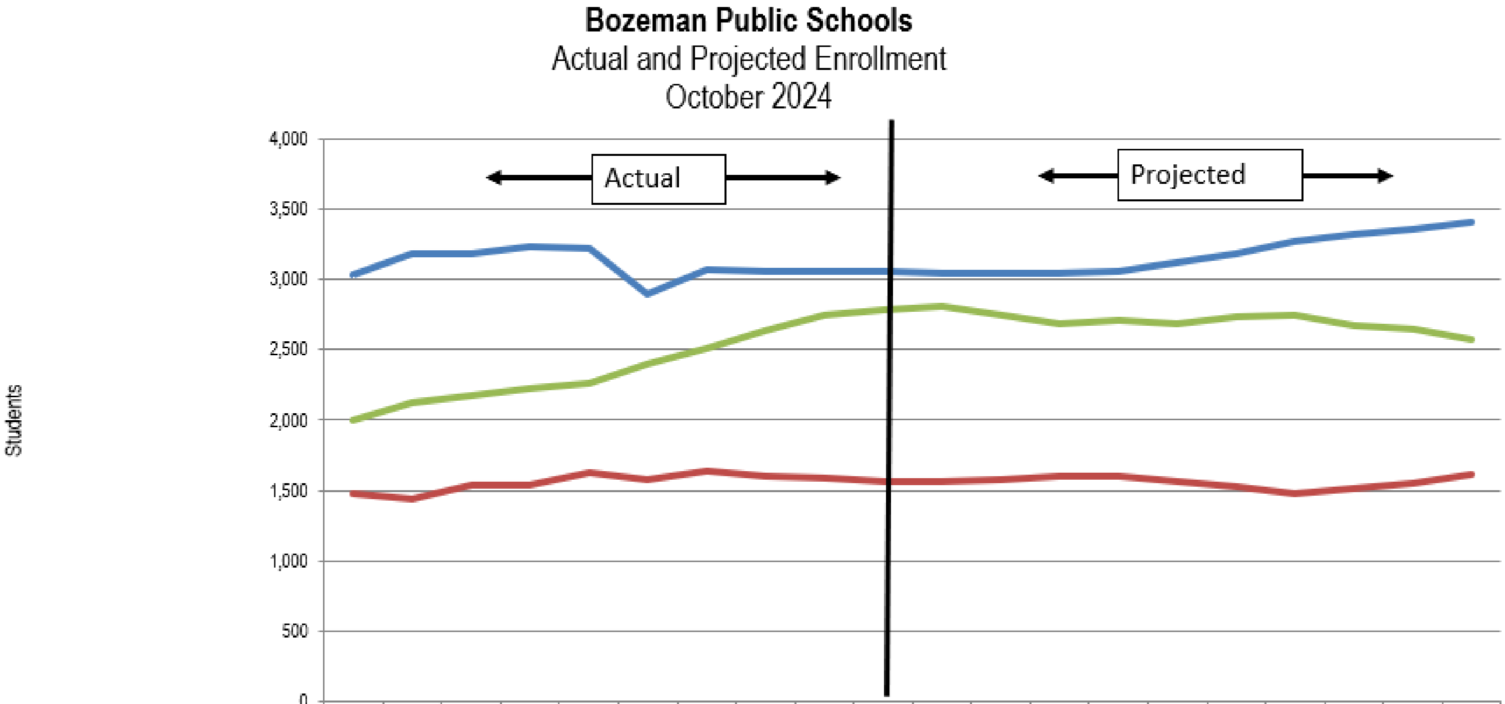
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Elementary (Grades PreK-5)	2946	3037	3184	3185	3235	3225	2892	3070	3055	3053	3060
Middle School (Grades 6-8)	1375	1472	1440	1535	1536	1626	1574	1638	1597	1590	1565
High School (Grades 9-12)	1973	1996	2118	2168	2224	2260	2398	2509	2630	2743	2782

Source: District records

Overall, the District expects enrollment to increase by 12 students (< 1%) from 2024-25 to 2025-26:

	October 1, 2024 Actual Enrollment	October 1, 2025 Anticipated Enrollment	Anticipated Change
Elementary (grades PreK-5)	3,060	3,042	(18)
Middle School (grades 6-8)	1,565	1,564	(1)
High School (grades 9-12)	2,782	2,813	31
Total (K-12)	7,407	7,419	12

Source: District records



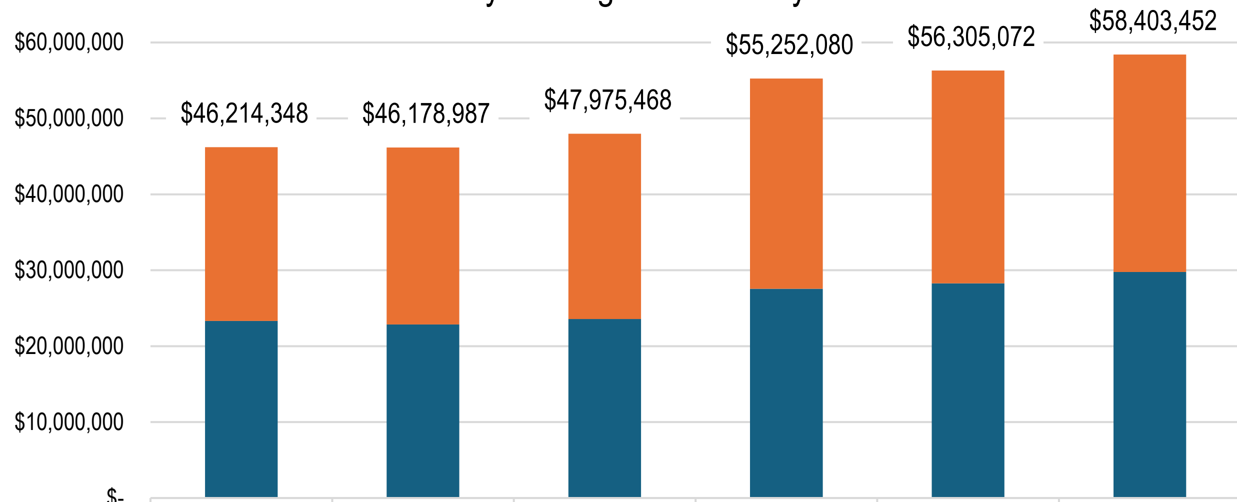
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Elementary Enrollment (Grades K-5)	3,037	3,184	3,185	3,235	3,225	2,892	3,070	3,055	3,053	3,060	3,042	3,050	3,046	3,055	3,121	3,180	3,266	3,313	3,360	3,410
Middle School Enrollment (Grades 6-8)	1,472	1,440	1,535	1,536	1,626	1,574	1,638	1,597	1,590	1,565	1,564	1,582	1,604	1,597	1,564	1,524	1,472	1,516	1,554	1,617
High School Enrollment (Grades 9-12)	1,996	2,118	2,168	2,224	2,260	2,398	2,509	2,630	2,743	2,782	2,814	2,747	2,688	2,705	2,679	2,728	2,747	2,677	2,651	2,577

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 2025-26 budget is funded by $58,403,452 in property taxes, an increase of 2,098,379 (3.73%) from FY2025. The following graphs detail those amounts by District and then by fund:

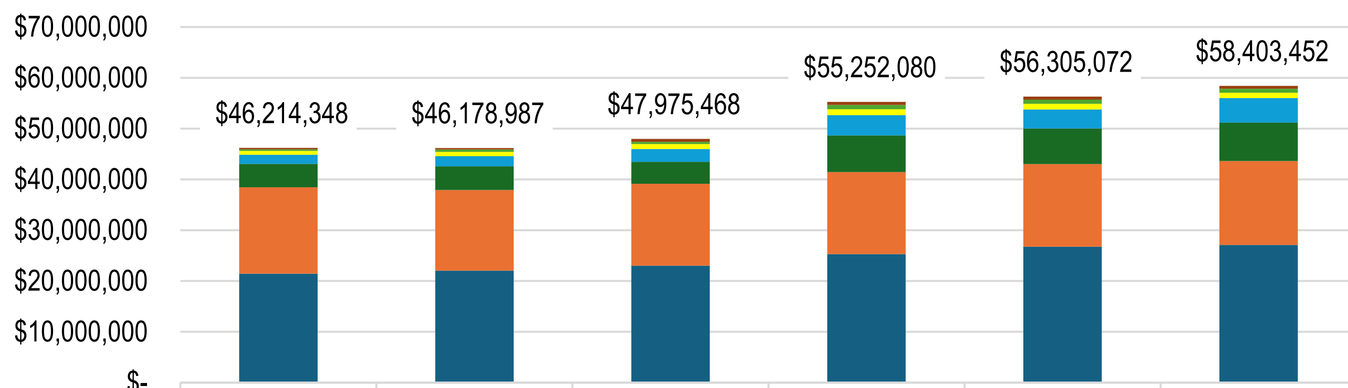
Bozeman Public Schools
Elementary and High School Levy Amounts



	FY21	FY22	FY23	FY24	FY25	FY26
High School Levy Amount	22,882,232	23,323,415	24,388,855	27,681,553	28,027,768	28,631,040
Elementary Levy Amount	23,332,115	22,855,572	23,586,613	27,570,526	28,277,304	29,772,410
K-12 Total Levy Amount	$46,214,348	$46,178,987	$47,975,468	$55,252,080	$56,305,072	$58,403,452

Source: District records

Bozeman Public Schools
K-12 Levied Dollars - All Funds



	FY21	FY22	FY23	FY24	FY25	FY26
Flexibility	-	-	-	-	-	-
Tuition	280,000	279,426	550,868	584,369	583,449	550,000
Bus Depreciation	-	-	-	-	-	-
Adult Education	314,296	459,181	459,502	865,526	828,414	787,051
Technology	775,062	872,257	971,065	1,148,627	1,122,884	1,054,330
Transportation	1,774,749	1,985,750	2,537,854	3,965,371	3,749,507	4,800,713
Building Reserve	4,601,770	4,645,469	4,294,137	7,245,613	6,991,582	7,580,162
Debt Service	16,993,600	15,892,839	16,131,501	16,147,405	16,264,544	16,532,273
General	21,474,871	22,044,065	23,030,541	25,295,168	26,764,692	27,098,920
Total Levied Dollars	$46,214,348	$46,178,987	$47,975,468	$55,252,080	$56,305,072	$58,403,452

Source: District records

The largest tax changes occurred in the Transportation and Building Reserve funds. Together, these funds account for 78% of the 2025–26 tax increase.

- Transportation: $1,051,206 tax increase. The increase in the Transportation Fund levy is driven by several factors. A revised contract with First Student included higher hourly wages to support driver recruitment and retention. In addition, the District expanded services to include the Bozeman Reads program and added Special Education routes to meet student needs. These enhancements have resulted in increased transportation costs, which are being funded through the District's permissive Transportation levy.

- Building Reserves: $473,924 tax increase. The majority of this increase is due to voter approval of the Building Reserve levy increase—from $2,000,000 to $2,300,000 annually. In addition, a portion of the increase reflects the District's use of the expanded authority granted by the State to levy additional funds through the permissive Major Maintenance levy.

The 2025–26 fiscal year was a statewide reappraisal year, and despite continued new construction within the District boundaries, overall property valuation decreased by 6.77% in the Elementary District and 4.75% in the High School District. This decline is primarily due to recent legislative changes to property tax rates, which replaced a uniform residential taxable rate with a new tiered system that applies different taxable rates based on market value. As a result, even with increases in market value the tiered taxable value rates have driven down the District's overall taxable value.

This is a notable shift for Gallatin County, where taxable value has historically increased during re-appraisal years. The majority of District levies are based on flat dollar amounts, and therefore are unaffected by the new tax tier. The greatest impact will be the same dollar amounts will be levied – with a larger number of mills. However, the District does have four levies that have been voter approved the be levied based on the value of a mill. The decrease in taxable value should have resulted in the district levying reduced dollars for mill-based levies but, in an attempt to reduce property tax fatigue, HB231 from the 2025 Legislative session states:

> (4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that was authorized by the voters before [the effective date of this section], shall:
>
> (a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or
>
> (b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025. In fiscal years after 2026, the local government shall may levy an amount not to exceed the number of mills levied in fiscal year 2026.

In alignment with Section 4(b) of HB231, the District will not levy voter-approved mill-based levies as a fixed number of mills in FY2026. Instead, the District will levy a flat dollar amount equal to the revenue those mills generated in FY2025. This change effectively decouples mill-based levies from the actual mill rate and ties them to a fixed revenue amount for one year only.

Because overall taxable value declined in both the Elementary and High School Districts for FY2026, this flat-dollar approach will result in **more mills** being levied to collect the same amount of revenue as in FY2025. This impacts the Elementary and High School Safety Levies within the Building Reserve funds, as well as the High School Technology Levy.

Importantly, under the statute, beginning in FY2027 the District may levy the number of mills imposed in FY2026—even if that number exceeds what was originally authorized by voters—so long as it does not exceed the FY2026 mill amount. While the District will levy the FY2025-equivalent revenue amount in FY2026, future levy decisions will consider taxable value changes and the corresponding mill value. The District's intention remains to honor the spirit of what voters approved, not to exceed the intent of the original ballot measures.

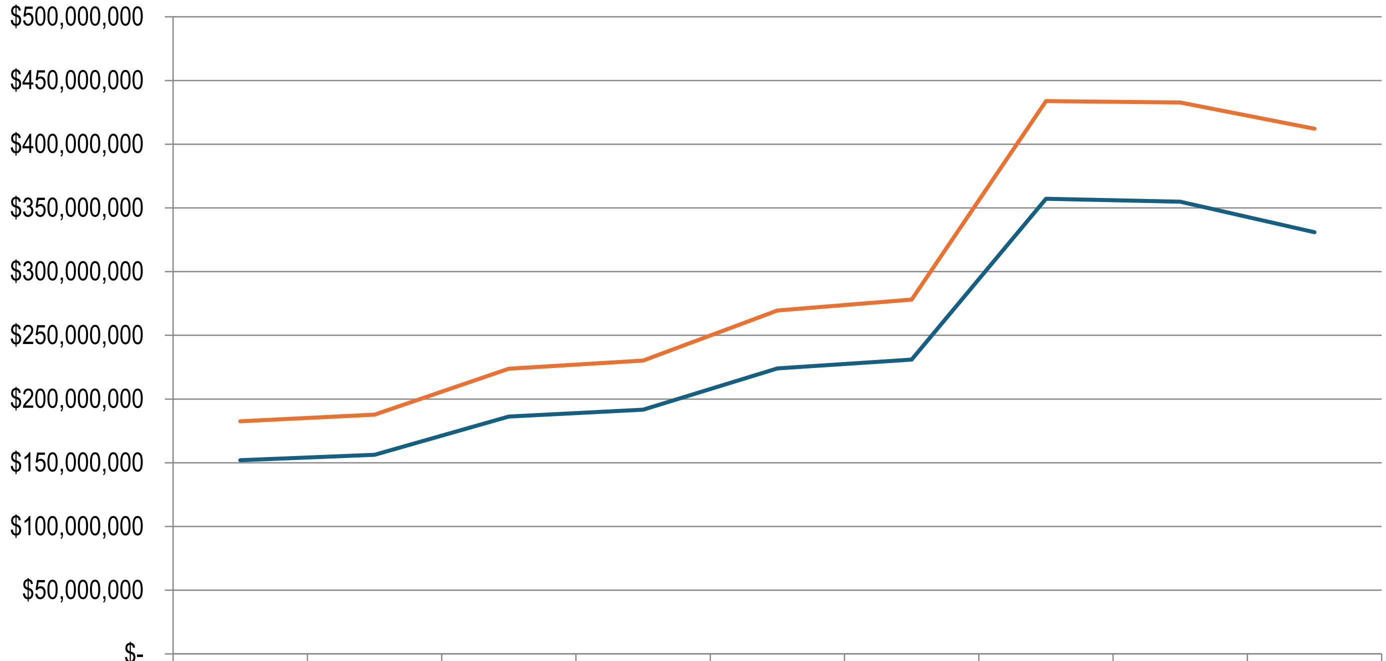
State law requires Montana schools to provide notice in March each year of any anticipated increases to certain permissive (i.e., nonvoted) levies in the ensuing year. The estimates are nonbinding and levies required to be covered by this notice constitute a small percentage of the District's actual 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 2025-26 notice was posted in the Bozeman Chronicle on March 25, 2025 and is included as Appendix II in this budget document.

Fortunately, the Bozeman School District benefits from a strong tax base to support the School District's revenue requirements. 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 now reassessed every two years. The more recent assessment period occurred this year, and once again saw a decrease in taxable value by 6.77% in the Elementary and 4.75% High School District. While this is not typical during a re-assessment year, it was due to the 2025 Legislative session in which HB231 created a new calculation for taxable value based on the assessed market value.

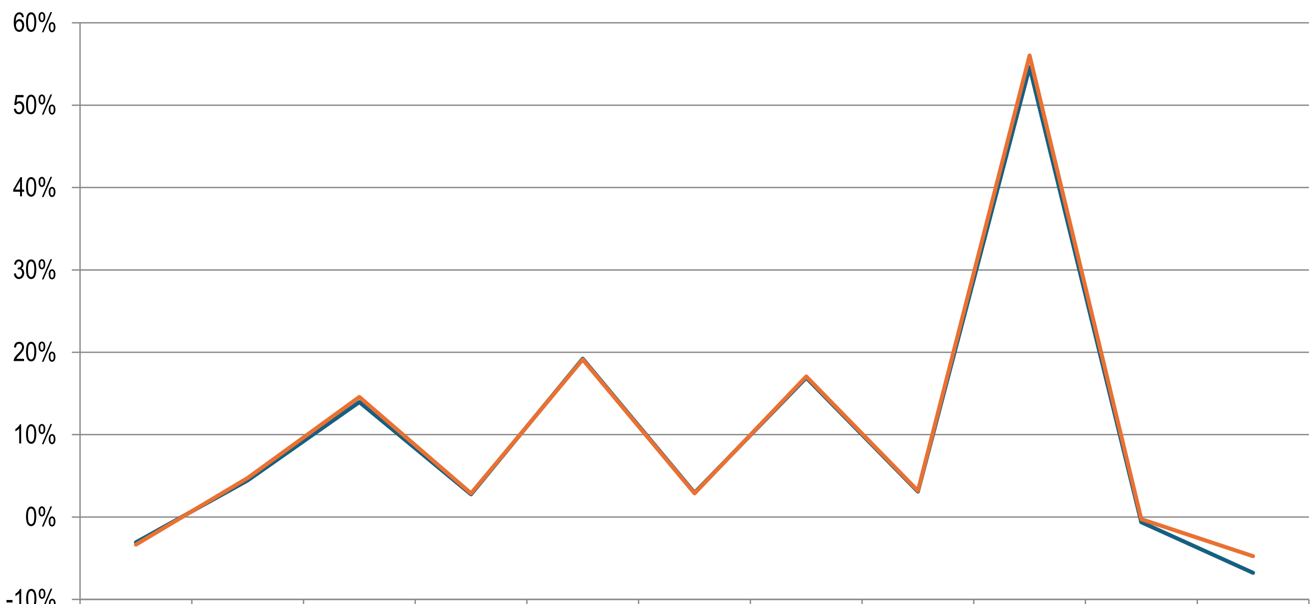
While the tax tiers are changing for the 2025–26 budget period, this structure is temporary. The Legislature passed additional bills during the 2025 session that will again revise how taxable value is calculated in future years. These changes will introduce different formulas based on whether a property is a primary residence, secondary home, or rental. As a result, this document does not forecast future taxable values, as the implementation details of these new laws are still being clarified by the State.

Bozeman Public Schools
Taxable Value History



	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Bozeman Elementary	151,994,908	156,191,478	186,201,043	191,687,364	224,085,702	231,009,258	357,169,589	354,949,106	330,910,948
Bozeman High School	182,556,412	187,815,184	223,747,892	230,172,095	269,441,207	278,036,597	433,828,230	432,722,400	412,161,850

Bozeman Public Schools
Taxable Value Growth Rates

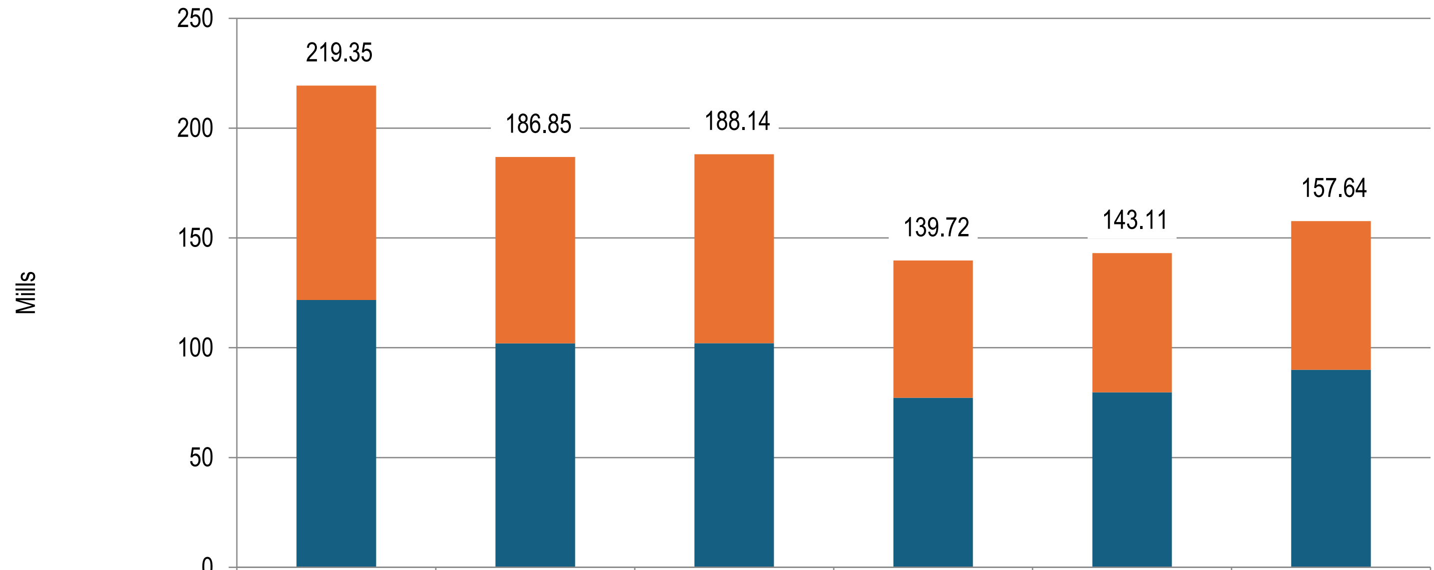


	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Bozeman Elementary	-3.08%	4.45%	13.96%	2.76%	19.21%	2.95%	16.90%	3.09%	54.61%	-0.62%	-6.77%
Bozeman High School	-3.35%	4.74%	14.58%	2.88%	19.13%	2.87%	17.06%	3.19%	56.03%	-0.25%	-4.75%

Source: Montana Department of Revenue, District records

With the fluctuations in taxable value, the mills have historically been decreasing as the taxable value increases. However, with the continued reduction in taxable value for the 2025-26 year, the District is encountering a growing in mills for 2025-26, as each mill is worth less. As a result, more mills will be required to reach those limits, increasing the overall mills levied by the District. Therefore, the District will see an increase in overall dollars levied of 3.73% but overall mills will increase by 7.72% increase:

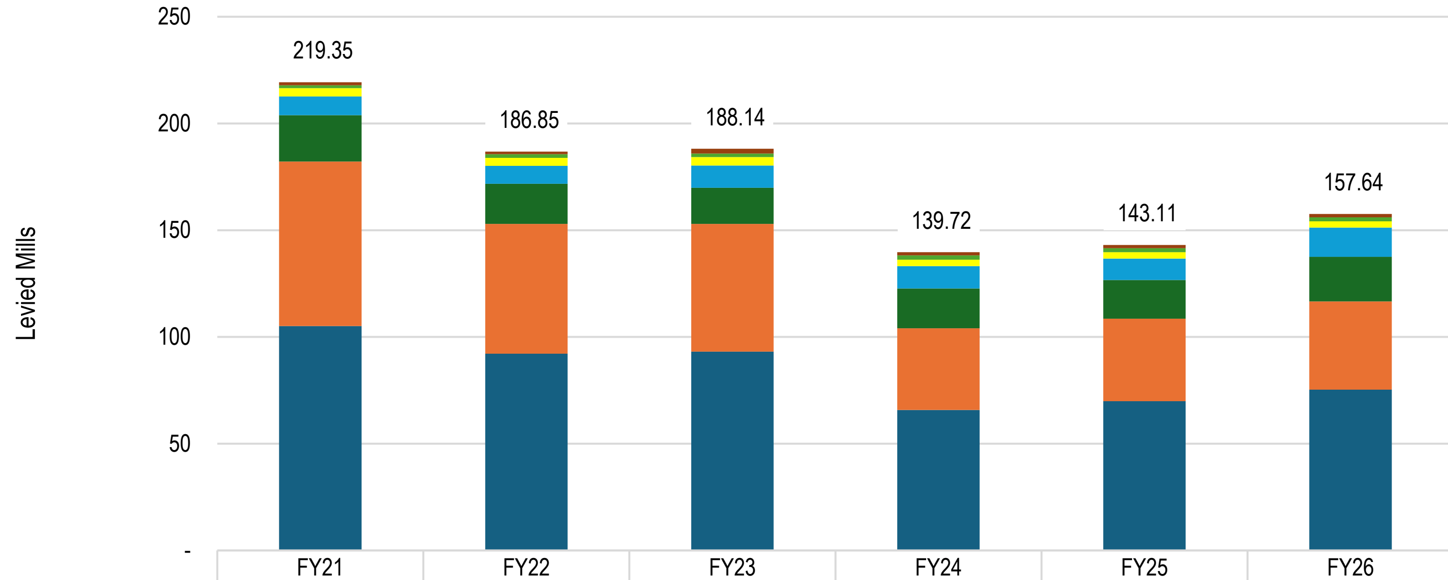
Bozeman Public Schools
Elementary and High School Levied Mills



	FY21	FY22	FY23	FY24	FY25	FY26
High School Mills	97.61	84.86	86.05	62.51	63.43	67.68
Elementary Mills	121.74	101.99	102.09	77.21	79.68	89.96
Total Mills	219.35	186.85	188.14	139.72	143.11	157.64

Source: District records

Bozeman Public Schools
K-12 Levied Mills by Fund



	FY21	FY22	FY23	FY24	FY25	FY26
Flexibility	-	-	-	-	-	-
Tuition	1.46	1.25	2.18	1.50	1.50	1.58
Bus Depreciation	-	-	-	-	-	-
Adult Education	1.37	1.70	1.65	2.00	1.91	1.91
Technology	3.87	3.74	4.00	3.00	2.95	2.93
Transportation	8.73	8.41	10.45	10.50	10.07	13.65
Building Reserve	21.75	18.75	16.91	18.64	18.12	20.90
Debt Service	77.04	60.82	59.81	38.24	38.67	41.36
General	105.13	92.18	93.14	65.84	69.89	75.31
Total Levied Mills	219.35	186.85	188.14	139.72	143.11	157.64

Source: District records

Personnel Resource Changes

The Bozeman School District staff is divided into four primary employee groups: certified, classified, professional, and administrative. Full Time Equivalent (FTE) history for each group is as follows:

Employee Group	FY20 FTE	FY21 FTE	FY22 FTE	FY23 FTE	FY24 FTE	FY25 FTE	FY26 FTE Projected
Certified	484.6	527.3	530.3	538.16	527.68	529.64	541
Classified/Prof*	312.1	278.47	298.7	283.15	320	318.76	306.28
Administrators	27	27	28.1	29	28	28	29
Total	**823.7**	**832.77**	**857.1**	**850.31**	**875.68**	**876.4**	**876.28**

* Classified and professional staff are grouped together for purposes of this chart because positions often change classification over time.

** The District's budgeting methods often cause budgeted FTE to vary from actual staffing levels. The variance is caused by a combination of:

- Pool budgeting for certain employees. For some employee types, the District allocates a certain amount of money because FTE is not known and cannot be determined at the time the budget is adopted. For example, the 2025-26 Elementary General Fund budget includes $100,000 for Overflow Paraprofessionals based on historical cost trends. While the FTE associated with these employees is included in the historical data, actual staffing levels for the current year will be determined when school starts and actual enrollment numbers are known.

- The District pays for some staff and programs out of special purpose “non-budgeted” funds reserved for a specific use. However, the District’s adopted budget does not include these special purpose funds. As a result, the FTE associated with these programs typically are included in the actual historical counts but not in the adopted budget.

- Some positions are included in the budget, but not filled unless enrollment warrants them.

In addition, each group is defined differently. A basic breakdown of the differences between groups is:

- Certified Staff. Certified staff includes staff licensed in a position that requires a certificate. In Bozeman, this group includes classroom teachers, counselors, librarians, physical and occupational therapists, and school psychologists.
- Classified Staff. Classified staff includes most hourly, non-exempt staff employed by the District. Classified positions include custodians, paraprofessionals, food service staff, and secretaries, and administrative support.
- Professional Staff. Professional staff represents a diverse group of seemingly unrelated employee functions. Professional employees can be either FLSA exempt or non-exempt, and they do not have union representation.
- Administration. Bozeman Public Schools Administration includes the district superintendent, principals, central office administration.

The District reviews staffing levels along with projected enrollment at each location during the Spring to ensure adequate time to recruit new hires over the summer. While reviewing staffing levels, the District always looks to the State accreditation standards to ensure the required staffing levels are met. The District anticipates little to no growth in the Elementary District, and a small increase in High School students during the 2025-26 school year. The staffing model reflects the class offerings available at each location.

While staffing changes were made in previous years to accommodate the economies of scale, the budget reductions and anticipation of schedule changes in the 2025-26 school year actually slightly increased the FTE from 2024-25. That was not what was previously in line with the budget reduction agreements at the high school level. It was previously determined that when the two High Schools switched to block scheduling in 2024-25, they would reduce by approximately 10 FTE. However, due to the 111 student increase in 2023-24, even more teachers would have been necessary if the switch to block scheduling had not occurred.

Department	2024-25 Actual FTE	2025-26 Budgeted FTE	Change
Art	8.0	8.5	0.5
Business	3.2	3.5	0.3
Family & Consumer Science	3.1	3.0	(0.0)
World Languages	10.7	11.2	0.5
Language Arts	23.4	23.2	(0.2)
Math	22.7	23.0	0.3
Music	5.4	5.5	0.1
Health Enhancement	12.3	12.5	0.2
Science	17.2	17.8	0.5
Social Studies	20.3	20.9	0.7
T & I	8.2	8.8	0.7
BioMedical Science	3.2	3.3	0.1
Special Education	19.8	19.8	0.0
Library	4.0	4.0	-
Counseling	8.0	8.0	-
Specialists	11.3	10.0	(1.3)
Study Hall	-	2.2	2.2
Total Certified FTE	180.6	185.3	4.7
Administrators	7.0	7.0	-
GRAND TOTAL	**187.6**	**192.3**	**4.7**

Source: District records

In addition to the FTE increases at the High School level, the District undergoes a process each year to determine staffing for all K-12 grade bands. This process includes reviewing each grade level within each school, and ensuring it meets the accreditation requirements set forth by the State of Montana. In addition to reviewing classroom enrollment, the District also reviews school-based enrollment and Paraprofessional allocations for the number of students within each school. Para allocations are determined on growth, reduction, or maintaining enrollment within each school and para-allocations are set accordingly. Because of the stagnant enrollment within the K-8 District, no Paraprofessional Allocation changes were made for the ensuing school year.

The majority of District staffing costs are paid through the General Fund, which is fully expended each fiscal year. Because of this, the District does not rely on reappropriated fund balance within the General Fund to support ongoing or future staffing needs—staffing decisions are made within the limits of the current year's available budget.

Although the District does its best to forecast the needs for the upcoming year, 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 2034 or later. Middle School Enrollment continues to maintain status quo, while the High School enrollment continues to increase. Following the opening of Gallatin High School in 2020, the enrollment numbers between the two high schools will not hit the functional capacity of the buildings for many years to come.

Currently, the total Principal debt is $29,980,000 in Elementary, and $96,550,000 in the High School. With no future bond issues in the works, it is anticipated those numbers will continue to decrease as the semi-annual payments are made. The High School will have two separate bond issues paid off in FY26, and it will reduce the overall tax impact by about $1,800,900.

District Sources – Students entering Gallatin High School

OTHER INFORMATION

Awards

The Governmental Finance Officers Association (GFOA) awards a Certificate of Achievement for *Excellence in Financial Reporting* to government units whose annual comprehensive financial reports achieve the highest standards in governmental accounting and financial reporting. The District received the award for the 35th consecutive year for Fiscal Year 2024 in May 2025. While the financials are audited by an external firm, the Financial Report is created internally and submitted to the GFOA to be held in consideration for the prestigious award.

In addition, 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 if you have questions or need additional information.

District Sources – Elementary students enjoying recess & music class, and Bozeman High Girls Soccer celebrating their State Championship