



Executive Summary

2026-2027 Adopted Budget

Bozeman Public Schools

404 W Main Street, Bozeman, MT 59715

Gallatin County

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	2029	6 years	Real Estate Agent
Lauren Dee, Vice Chair	2028	4 years	Stay at Home Mom
Gary Lusin	2027	20.5 years	Physical Therapist
Greg Neil	2029	9.5 years	Insurance Agent
Lei-Anna Bertelsen	2027	5 years	Education Facilitator
Melissa Moran	2027	2 year	Restaurateur
Sandra Wilson	2027	11.5 years	Retired Teacher
Sarah Wilson	2028	1 year	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 three 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.

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. The last revisions to the LRSP occurred in 2023-24 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.

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 2026-27 budget has been in the planning stages since August 2025.

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 details both Districts' budgets. While the budgets are discussed in great detail individually, it must be noted that the District looks to the big picture of K-12 learning holistically and how our resources can best be used to meet 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	11/10/2025
Board call for May 2026 Trustee, General Fund, and Special Levy Elections	Board of Trustees	12/8/2025
Revise and finalize ANB Calculation and/or Projection	Exec Dir of Business & Operations/ Director of Business Services	2/2/2026
Present Preliminary General Fund Budget to the Board	Board of Trustees/Admin	2/9/2026
Final board meeting to amend call for election	Board of Trustees	2/9/2026
Provide notice of intent to increase non-voted levies	Board of Trustees/Admin	3/9/2026
Set amount of voted levy	Board of Trustees/Admin	3/9/2026
Conduct Trustee and Special Levy Election	District Clerk/County Clerk & Recorder	5/5/2026
Present preliminary budget for all Budgeted Funds	Board of Trustees/Admin	7/27/2026
Adopt Final Budget	Board of Trustees	8/17/2026

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 – Willson School Admin Building

FINANCIAL SECTION

Immediately, the Bozeman School District's finances remain healthy. Voted levy requests continue to pass in our community. All Fund reserves remain at or very near 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 2026-27 is \$131,946,278. This total represents an increase of \$3,335,529 (2.6%) over the prior year's budget:

	FY2025-26 Budget	FY2026-27 Budget	Change \$	Change %
General	\$ 66,785,107	\$ 71,045,652	\$ 4,260,545	6.4%
Debt Service	18,137,825	16,335,925	-1,801,900	-9.9%
Building Reserve	21,651,761	20,015,720	-1,636,041	-7.6%
Retirement	10,700,000	11,600,000	900,000	8.4%
Transportation	6,386,332	7,277,890	891,558	14.0%
Technology	1,607,005	1,706,351	99,346	6.2%
Adult Education	886,348	1,241,762	355,414	40.1%
Bus Depreciation	685,955	711,296	25,341	3.7%
Tuition	1,484,016	1,692,892	208,876	14.1%
Flexibility	286,400	318,790	32,390	11.3%
Total K-12	<u>\$ 128,610,749</u>	<u>\$ 131,946,278</u>	<u>\$ 3,335,529</u>	<u>2.6%</u>

Source: District records

The increase in spending authority is largely attributed to contractual salary adjustments, cost of living stipends, health insurance increases, and inflationary pressures on districtwide services and operations. To support this spending, the

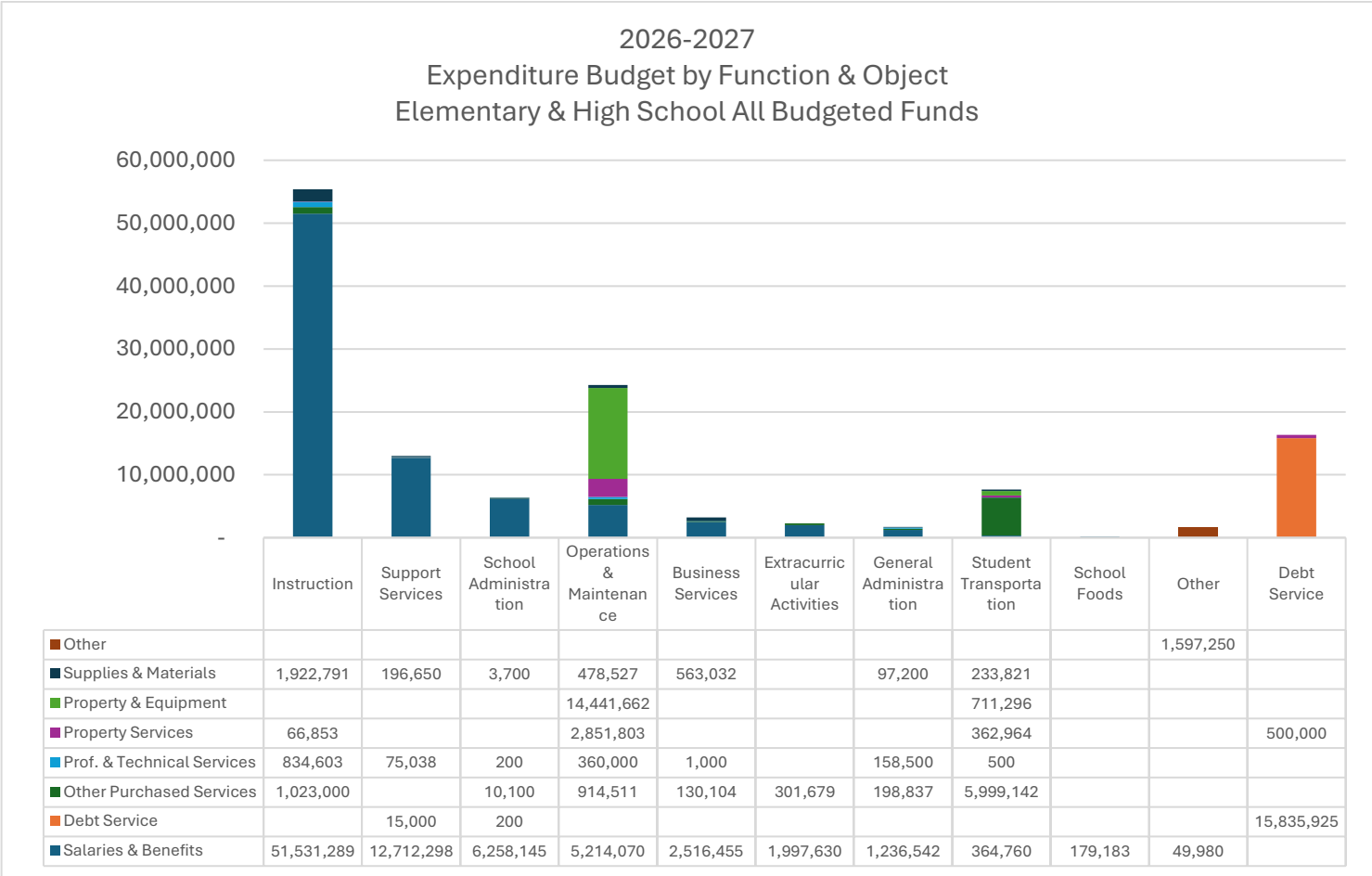
District will reappropriate \$17.8 million in fund balance across various funds—\$1 million less than what was reappropriated into FY2026 budgets. This usage aligns with our strategic financial approach to manage fluctuations in revenue while maintaining program continuity. However, ongoing operational 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.

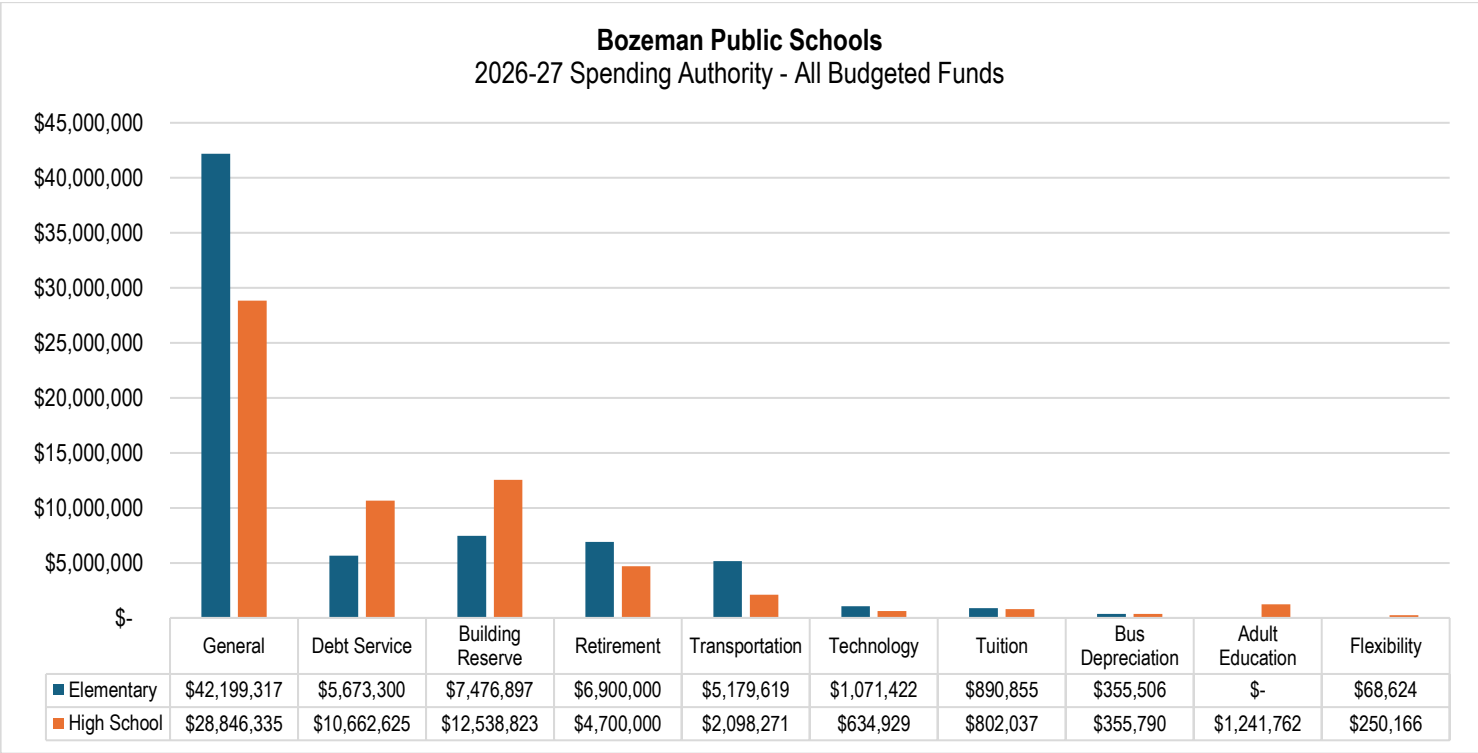
Of the \$131,946,278 in total budgeted expenditures, the District plans to spend \$55,378,536 (41.9%) on Instruction and \$82,060,352 (62.1%) on Salaries and Benefits – the largest single function and object amounts, respectively.

The following graph summarizes the combined Elementary & High School General Fund expenditure data for 2026-27 by Function & 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:



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. For 2026-2027, both the Elementary and High School District’s have a structural imbalance. The overall balance between the two Districts is in the red by a total of \$3,605,004 (5.0%) system-wide:

	Elementary	High School	K-12 Total
Projected General Fund Budget Limit w/ a Vote	\$ 42,199,317	\$ 28,846,335	\$ 71,045,652
Budgeted General Fund Expenditures	\$ 45,505,308	\$ 29,145,348	\$ 74,650,656
Remaining Capacity/(Structural Imbalance)	\$ (3,305,991)	\$ (299,013)	\$ (3,605,004)

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 2025 Montana Legislature invested meaningfully in 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

The District's 2026-27 budget reflects continued investment in the measurable goals established through the Long-Range Strategic Plan (LRSP), while also responding to legislative changes, workforce challenges, and evolving student and community needs. Key initiatives affecting the 2026-27 budget are summarized below.

Early Literacy and Grade-Level Reading:

The District's LRSP establishes two complementary literacy goals: 85% of children entering kindergarten will demonstrate requisite literacy skills, and 90% of third-grade students will demonstrate grade-level reading proficiency by 2029, both as measured by Acadience. These goals continue to guide the District's investment in early literacy instruction, intervention, professional development, and programming. To support these goals, the District will continue to:

- Strengthen evidence-based literacy instruction, including the District's K-5 focus on the Science of Reading and continued implementation of aligned core ELA curriculum.
- Provide targeted intervention and support through the District's multi-tiered system of support (MTSS), literacy coaching, diagnostic tools, and differentiated instructional approaches.
- Expand learning opportunities for students needing additional support, including targeted summer Jump Start programming for incoming K-3 students.
- Invest in early learning opportunities that strengthen literacy skills before students enter kindergarten.

The District is also continuing to expand early literacy programming established in response to HB352 – Targeted Early Literacy Intervention, passed during the 2023 Legislative Session. Beginning in summer 2024, the District implemented a multi-pronged approach that includes summer Jump Start programming for incoming K-3 students not yet proficient in reading, classroom-based programming for four-year-old students with emerging literacy skills, and at-home technology-based programming facilitated by the Montana Office of Public Instruction.

In August 2024, the District opened the Bozeman Reads Early Learning Center at Morning Star Elementary with four classrooms serving four-year-old students identified as not yet proficient in early literacy skills. The program expanded to five classrooms in 2025-26 and will grow to seven classrooms in 2026-27, with two additional classrooms located at Irving Elementary School.

State enrollment-based funding for the five existing classrooms will begin in the 2026-27 adopted budget. Because funding is received a year in arrears, state funding for the two new Irving classrooms will not begin until 2027-28. In the interim, the estimated \$200,000 cost of operating those classrooms will be supported with one-time funds previously accumulated in the District's Interlocal Agreement Fund.

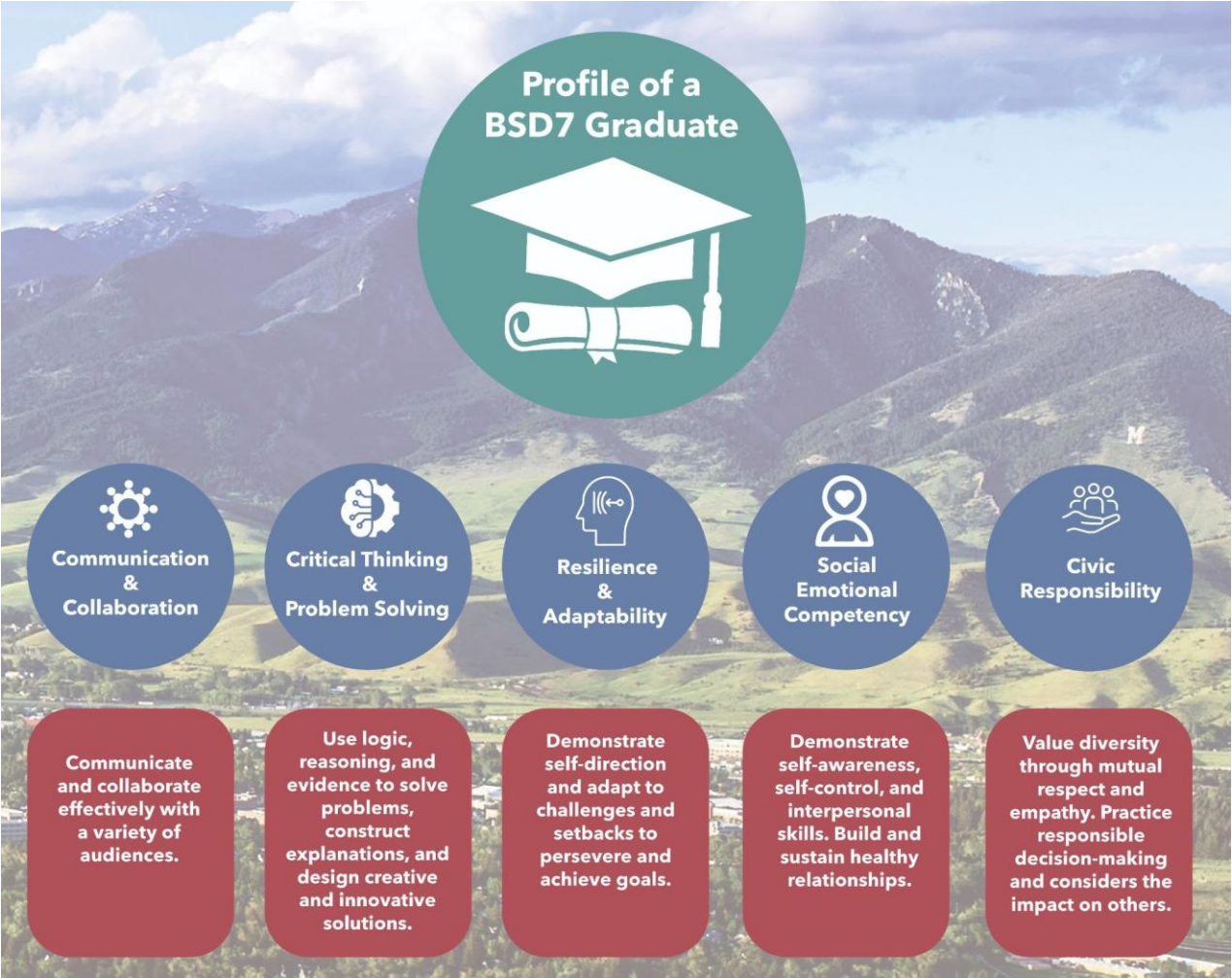
Graduation and Student Pathways:

The LRSP also establishes a goal that 95% of BSD7 students in each graduation cohort will earn a high school diploma in four years or fewer by 2029. The District continues to make progress toward this target. For the first time, the District's four-year cohort graduation rate surpassed 90%, reaching 90.14%, compared with a

statewide rate of 85.41% for the same period.

The District recognizes that students may require different pathways to successfully earn a diploma. In addition to traditional graduation pathways, BSD7 offers alternatives available through SB18, the exceptional circumstances diploma, and the HiSET Options Program, which was added beginning in the 2022-23 school year. The Montana OPI-approved HiSET Options Program provides an alternative pathway for eligible seniors and fifth-year seniors who are capable of graduating but are at risk of not doing so because of credit deficiencies.

These options are intended to provide appropriate pathways while maintaining the District’s focus on increasing four-year graduation rates and moving toward the LRSP goal of 95%.



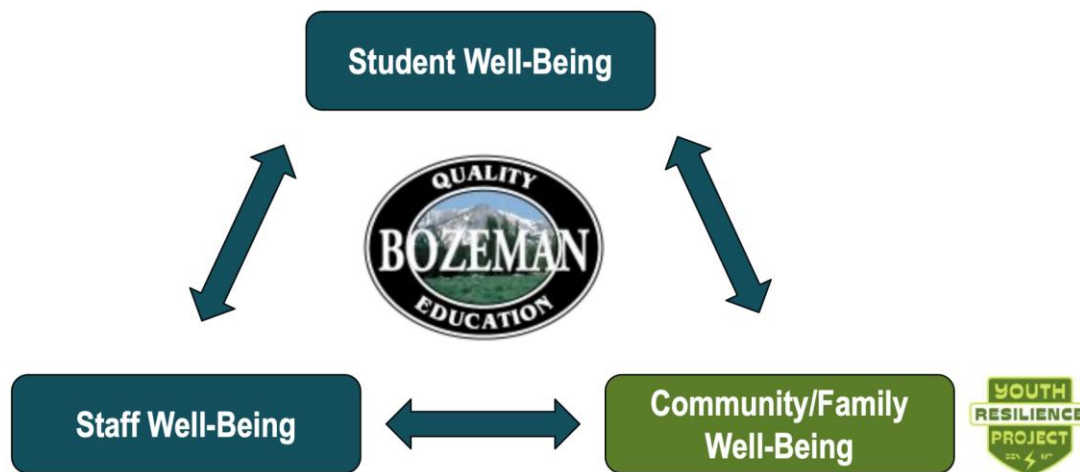
Source: District Records

Student and Staff Well-Being:

Student and staff well-being remain important components of the District's LRSP. During 2024-25, the District convened stakeholder groups to establish measurable goals and develop action plans in both areas. Implementation continued during 2025-26 and reinforced an important principle guiding the District's work: student well-being, staff well-being, family engagement, and community support are interconnected.

The District will build upon this work in 2026-27 through several targeted initiatives and partnerships:

1. Youth Resilience Project. In partnership with the Bozeman Schools Foundation, the District will launch the Youth Resilience Project in fall 2026. The first phase includes an online learning platform focused on youth mental health, resilience, and caregiver self-care for parents, BSD7 staff, and community organizations serving youth.
2. Youth Prevention Specialist. In partnership with the Bozeman Schools Foundation, the District has added a 1.0 FTE Youth Prevention Specialist beginning in fall 2026. The position will focus on developing peer-to-peer suicide prevention programming and facilitating the Signs of Suicide program at the middle and high school levels.
3. Positive Experiences and Community Norms. In partnership with the Montana Institute, District leadership will participate in training related to Positive Community Norms, Positive Childhood Experiences, and Adult Positive Experiences to help connect the District's student and staff well-being efforts with the Youth Resilience Project.
4. High School Phone Management. Beginning in fall 2026, Bozeman High School and Gallatin High School will implement The Commons, a geofencing application designed to restrict access to social media, gaming, and other non-approved applications during the school day while maintaining students' ability to call and text. Existing classroom expectations for phone storage during instructional time will remain in place.
5. Additional Student Support. The District has added 2.0 counseling/student support FTE at the high school level beginning in 2026-27 as part of a phased effort to increase adult capacity to address students' social, emotional, and behavioral needs.
6. Staff Evaluation and Well-Being Systems. The District will work with the Bozeman Education Association during 2026-27 to update teacher evaluation tools, including adoption of the updated Danielson Framework for Teaching and selection of online evaluation tools. The District and BEA will also discuss expansion of the Panorama survey platform to include student perspectives on engagement, well-being, and student-teacher relationships.
7. Wellness Champions. The District will maintain the BSD7 Wellness Champions Program in partnership with Bozeman Health. The program provides a Wellness Champion at each school site to develop wellness efforts responsive to the needs of individual school communities, including behavioral health education, mental health awareness, preventive care incentives, and wellness activities.



Source: District Records

Together, these efforts reflect the District's continued focus on building supportive learning and working environments while leveraging partnerships with families and community organizations.

Employee Recruitment and Retention:

Recruiting and retaining high-quality staff remains a significant challenge, particularly given the cost of living in the Gallatin Valley. Legislative changes enacted during the 2025 Montana Legislative Session created new opportunities for the District to address these pressures.

House Bill 252, commonly known as the STARS Act, provides additional state support to districts meeting specified starting-teacher-salary thresholds and allows qualifying districts in high-cost-of-living areas to seek additional voter-approved funding for employee affordability measures. For 2026-27, Bozeman voters approved a \$1.2 million General Fund levy in the Elementary District and a \$600,000 General Fund levy in the High School District. These levies will support 3% base raises and a \$1,500 annual cost-of-living stipend for District employees, prorated based on FTE.

The District will also continue its Grow Your Own Teacher program as a longer-term recruitment and retention strategy. The program supports current classified employees pursuing teacher licensure through two pathways: alternative certification through the American Board for Certification for Teacher Excellence (ABCTE) for employees who already hold bachelor's degrees, and tuition assistance for employees pursuing bachelor's degrees through traditional teacher preparation programs.

The District has invested \$25,000 annually in the program during each of its first three years, for a cumulative investment of \$75,000. For 2026-27, the District will sponsor three employees through the ABCTE pathway and twelve employees through traditional bachelor's degree programs.

The District is also beginning a Teach Bozeman program: a partnership with the Bozeman Schools Foundation that provides two highly qualified high school seniors with \$5,000 annual scholarships toward degrees in education. Participating students work in the District as paraeducators while completing their education and are guaranteed an interview for a District teaching position upon graduation.

Collectively, the STARS Act funding, Grow Your Own Teacher program, and Teach Bozeman initiative represent a multi-faceted approach to addressing recruitment, retention, and the long-term development of the District's educator workforce.

Budget Summary

In Spring 2026, the District asked voters for permanent General Fund levies in both the Elementary & High School Districts for the 2026-27 budget, which were approved during the May 5, 2026 election. This General Fund election was different from previous elections, as HB252 in the 2025 legislative session allowed districts in counties with high cost of living to exceed their 'maximum' budget limits to offer cost of living increases to employees in the form of salary, stipends, housing assistance, etc. Therefore, the General Fund levy ask was substantially higher than previous years. In addition, 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:

- \$4,260,545 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 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.

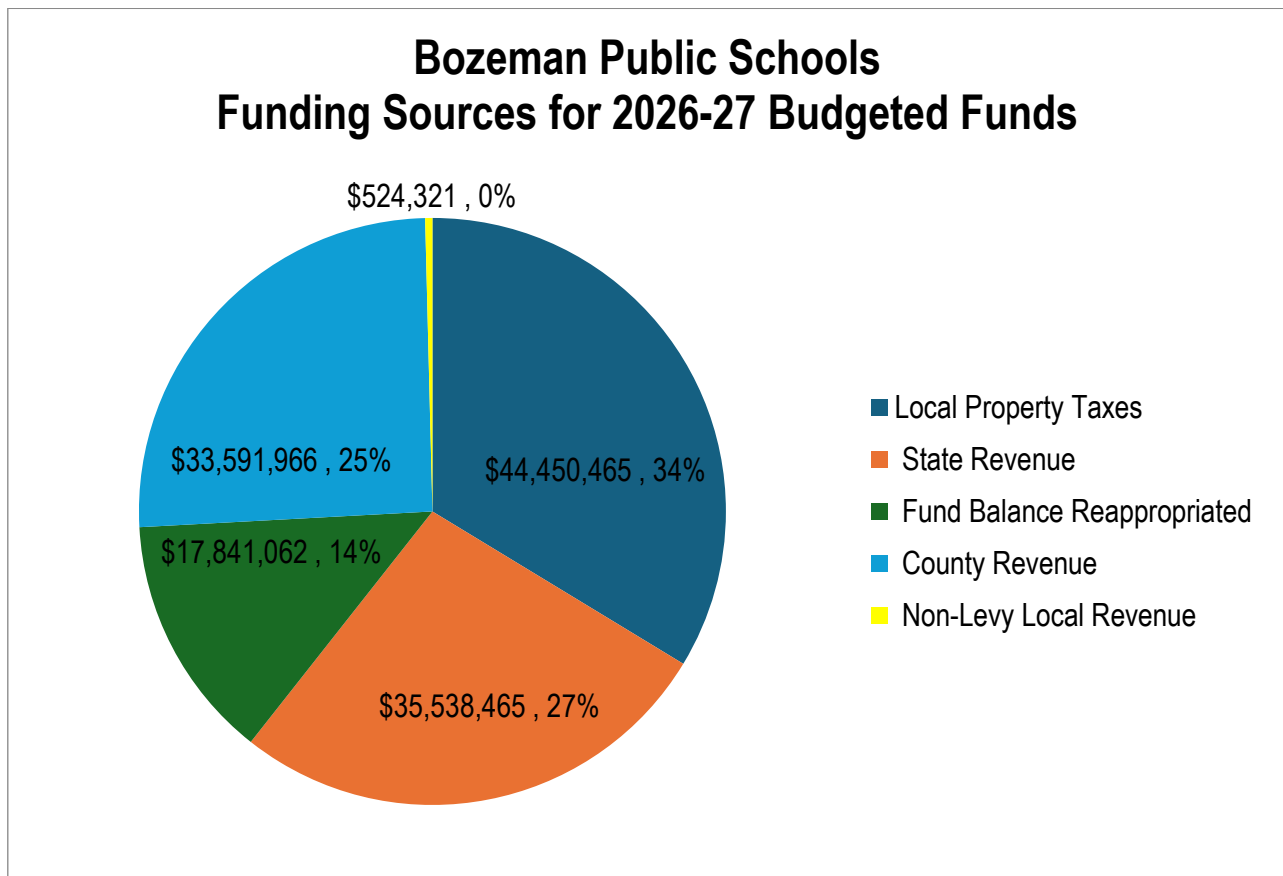
In addition to the inflationary increase, and the Quality Educator payments, HB252 recognized that specific areas within the State of Montana have higher cost of living than the overall median cost of living across the state. Therefore, if a District resides in a County that qualifies, the District may go to tax payers and ask for additional funding approval to distribute cost of living financial assistance to its employees. The levy request was specifically geared toward giving each employee within the District a \$1,500 per year stipend pro-rated based on their FTE.

- \$1,636,041 decrease in the Building Reserve Funds. While the District continues to maintain and budget for Capital Improvement projects, the fund balance reappropriated from FY26 to FY27 has decreased the overall budget in Building Reserve Funds. In addition, the High School District's \$1 Million/year transition levy expired June 30, 2026. With the decrease in budget, no extraordinarily large projects were undertaken during the previous fiscal year, both the Elementary & High School reappropriated funding to cover upcoming Capital Improvement projects. In 2025 voters approved the renewal of the elementary building reserve levy. The renewed levy, increased by \$300,000 to \$2.3 million annually for a six-year term, and provides 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.
- \$891,558 increase in the Transportation Funds. Busing costs continue to increase. 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. The cost of living in Bozeman is exponentially higher than they originally anticipated, and they had struggled to hire and retain bus drivers. In addition to the hourly wage increase, the District is now transporting seven classrooms of four year old students for the Early Literacy program between two elementary schools. This necessitates additional routes, and attendants for the younger students. Because of these scenarios, the District has had to permissively levy additional money within the transportation fund.

- \$32,390 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 2026-27 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 \$131,946,278 in expenditure budgets adopted for 2026-27 will be funded as follows:



Source: District records

The following table compares these budgeted funding sources for 2026-27 with those budgeted for the prior year:

	2025-26	2026-27	Change
Local Property Taxes	\$ 58,403,452	\$ 44,450,465	\$ (13,952,987)
Non-Levy Revenue	51,291,878	69,654,751	18,362,873
Fund Balance Reappropriated	18,915,422	17,841,062	(1,074,359)
Total	\$ 128,610,752	\$ 131,946,278	\$ 3,335,526

Source: District records

The dramatic decrease in local property tax revenue is largely due to HB 156 in which the state legislature changed all general fund base levy requirements from the District to the County. The structure determining the funding amount will remain unchanged – meaning the district will still receive the same funding, however property tax bills will show a decrease in the District’s overall levy, and an increase in the counties. HB 156 aimed to distribute taxes more consistently among taxpayers within the county.

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:

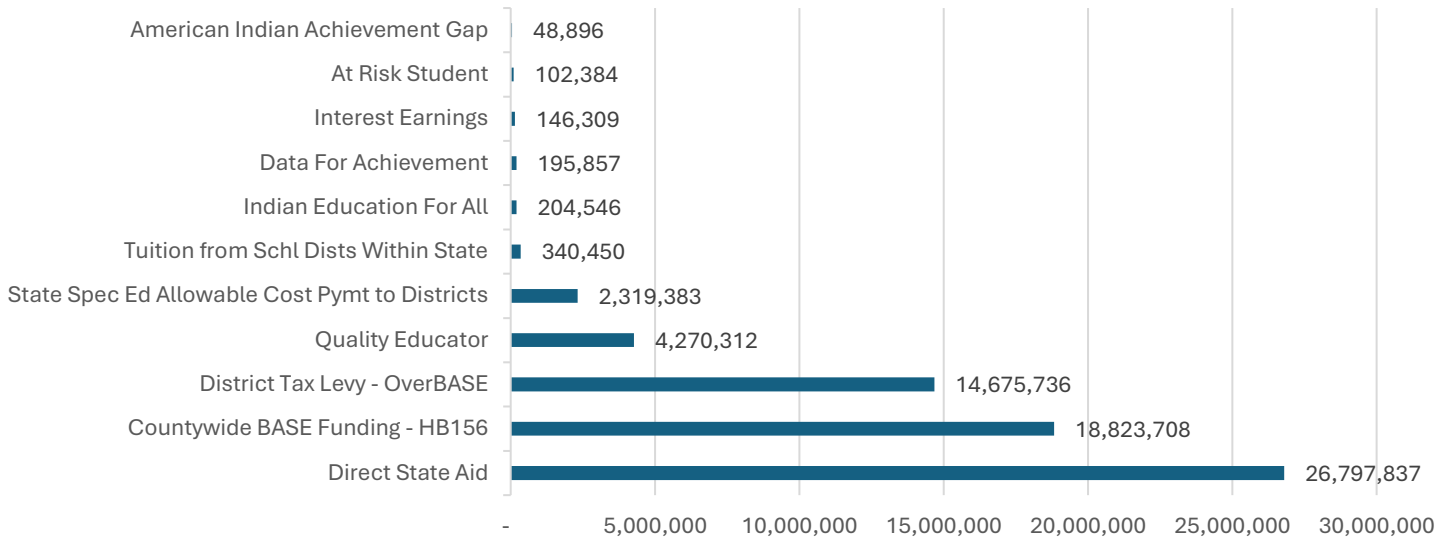
Montana’s General Fund budget for schools is built primarily on two entitlements: the *Basic Entitlement* and the *Per-ANB Entitlement* (Average Number Belonging). These entitlements are determined by student enrollment and inflationary factors set by the Legislature. Additional weighted funding is applied 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 2026-27 fiscal year for a total of \$71,045,652, or 54.4% 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.

2026-2027 Elementary & High School Revenues General Fund



Source: District Records

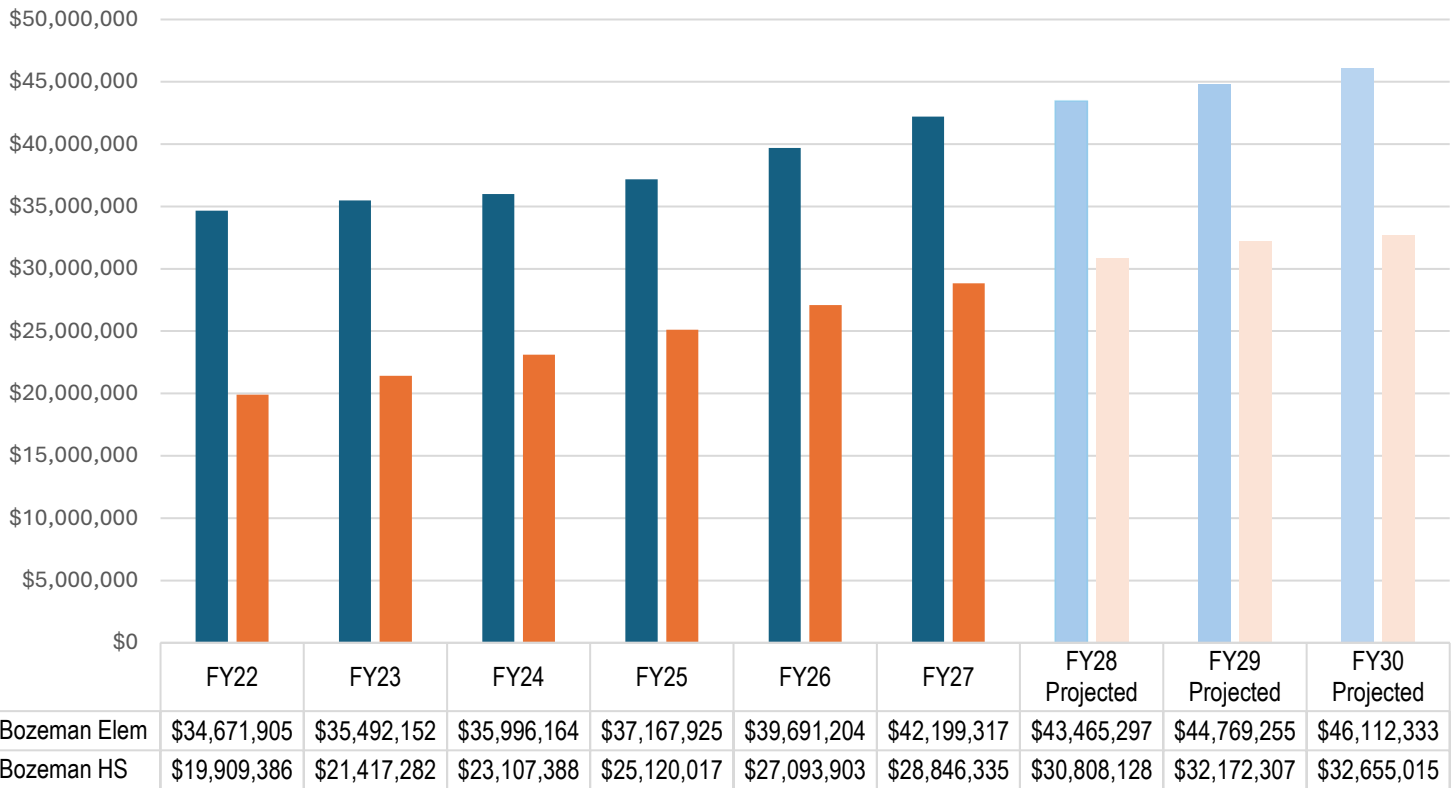
Budget Forecast

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--assumptions that will almost certainly prove incorrect. Therefore, the District does not voluntarily advertise these amounts, as they set unreasonable expectations are not legitimate standards for projecting a future budget. With those disclaimers in mind, 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 – specifically to ensure that the structural imbalance is kept at the forefront of conversation. While the High School General Fund structural imbalance improves with 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 stagnant enrollment over the five previous years, and no projected enrollment increases in the foreseeable future. Because of the enrollment stagnation, 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 in 2025, 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., non-voted) 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 \$599,015 and \$369,935, respectively, and these are the amounts included in the current year budget.

- 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, the additional routes for Pre-K students, 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 budgeted 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 2026-27 year. Only 1.84 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.

The District is also utilizing Adult Education funds for initiatives like the "Grow Your Own Teacher" and "Teach Bozeman" programs, which aim 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 \$75,000 in FY27 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.

In addition, the District heard from the community of the growing need for adult literacy education. Therefore, the District will provide funding for a Certified staff member to teach adults how to read. This will help fulfill a need within the Bozeman community that cannot otherwise be met with the current resources. This Certified staff member is an addition to the District budget, and will be permissively levied through the adult education fund for 2026-27.

- 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.

The District has allowed out-of-district applications for students wishing to enroll in the Bozeman Public Schools for the past two school years. In addition to accepting out-of-district students, the District also saw

students of residence leave the Bozeman Public Schools to receive education within other nearby Districts. The total number of students entering the district vs. the total number of district students leaving our district to go elsewhere is insubstantial in the overall cost, and the totals nearly wash each other out. However, when students leave, 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-district 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

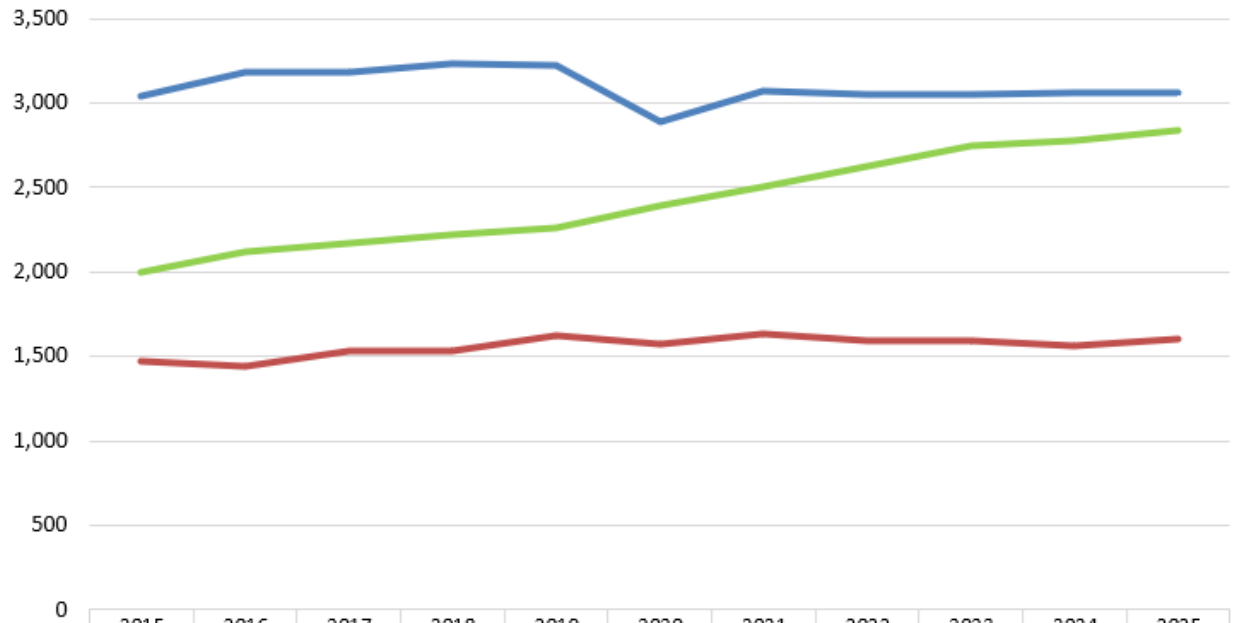
This section of the budget document includes information on enrollment, taxation, personnel, and debt.

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 2025, the Pre-K-8 elementary saw a small increase in enrollment, while the high school numbers once again set new record highs. New this year is the addition of Sped Pre-K students in the General Fund formula. With those students now counting toward overall elementary enrollment the Pre-K-5 increase is the first increase in enrollment since 2021 and is largely due to the addition of the sped-pre-k students and early literacy classes. In grades 6-8, the 2025 enrollment count increased by a total of 373 students from the previous year's count. As a result, PreK-8 enrollment has seen gradual growth. High School enrollment continues to increase, and saw a new record high with 2,841 students – an increase of 56 from the previous year. High School enrollment is anticipated to level off in 2026-27.

Bozeman Schools Enrollment History



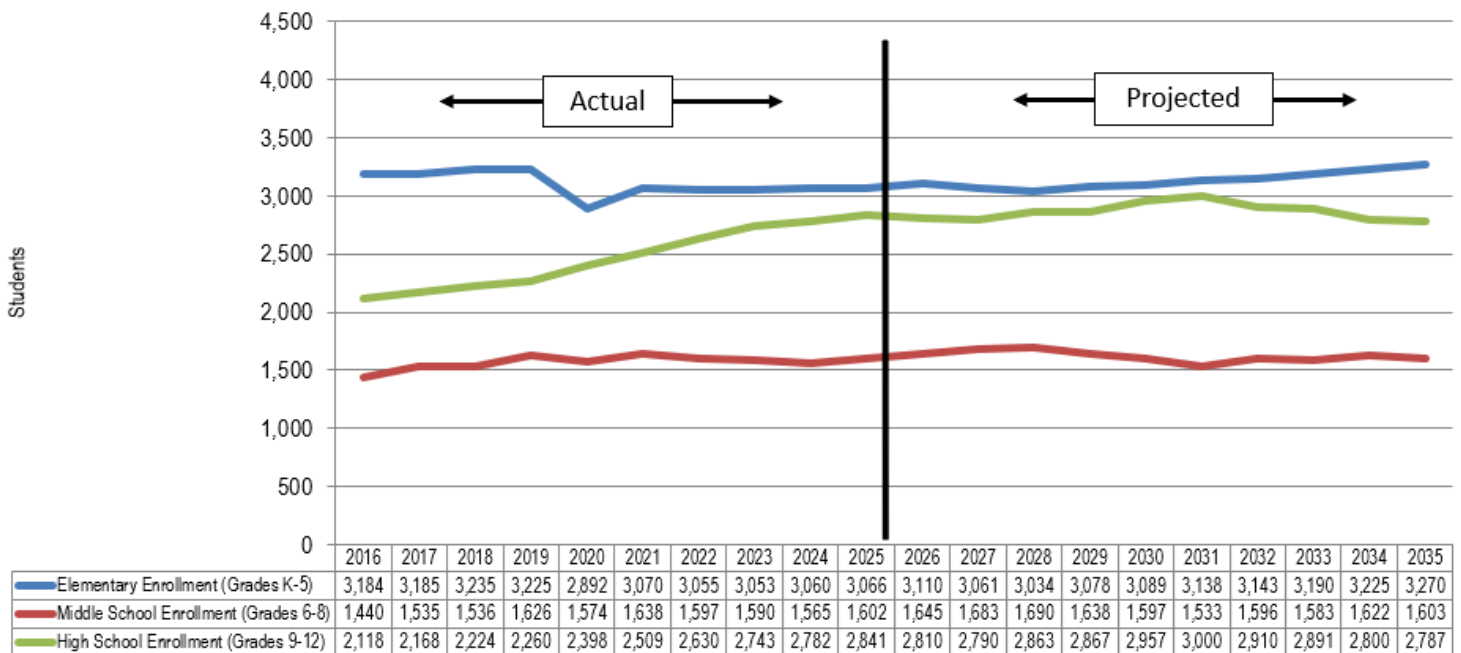
Source: District records

Overall, the District expects enrollment to increase by 56 students (< 1%) from 2025-26 to 2026-27:

	October 1, 2025 Actual Enrollment	October 1, 2026 Anticipated Enrollment	Anticipated Change
Elementary (grades PreK-5)	3,066	3,110	44
Middle School (grades 6-8)	1,602	1,645	43
High School (grades 9-12)	2,841	2,810	(31)
Total (K-12)	7,509	7,565	56

Source: District records

Bozeman Public Schools Actual and Projected Enrollment October 2025

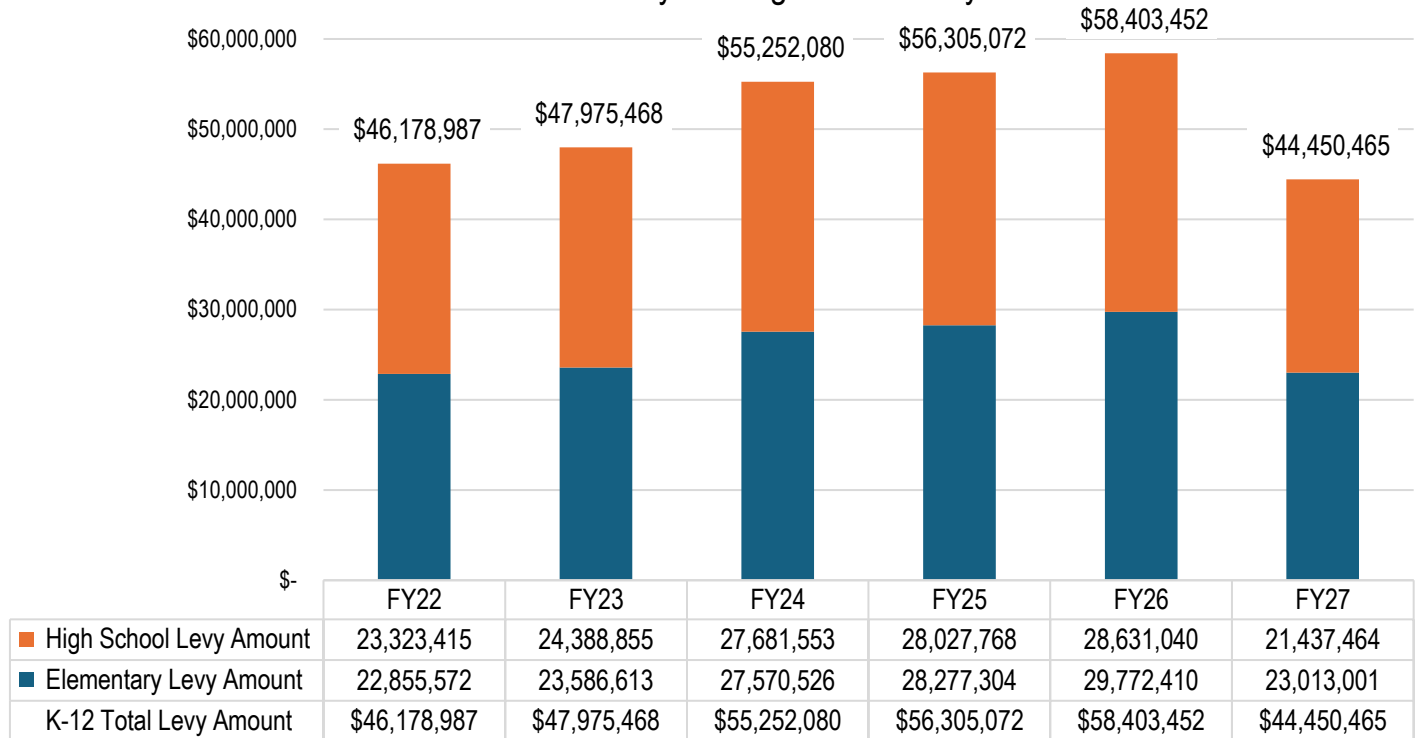


Source: District records

Taxation

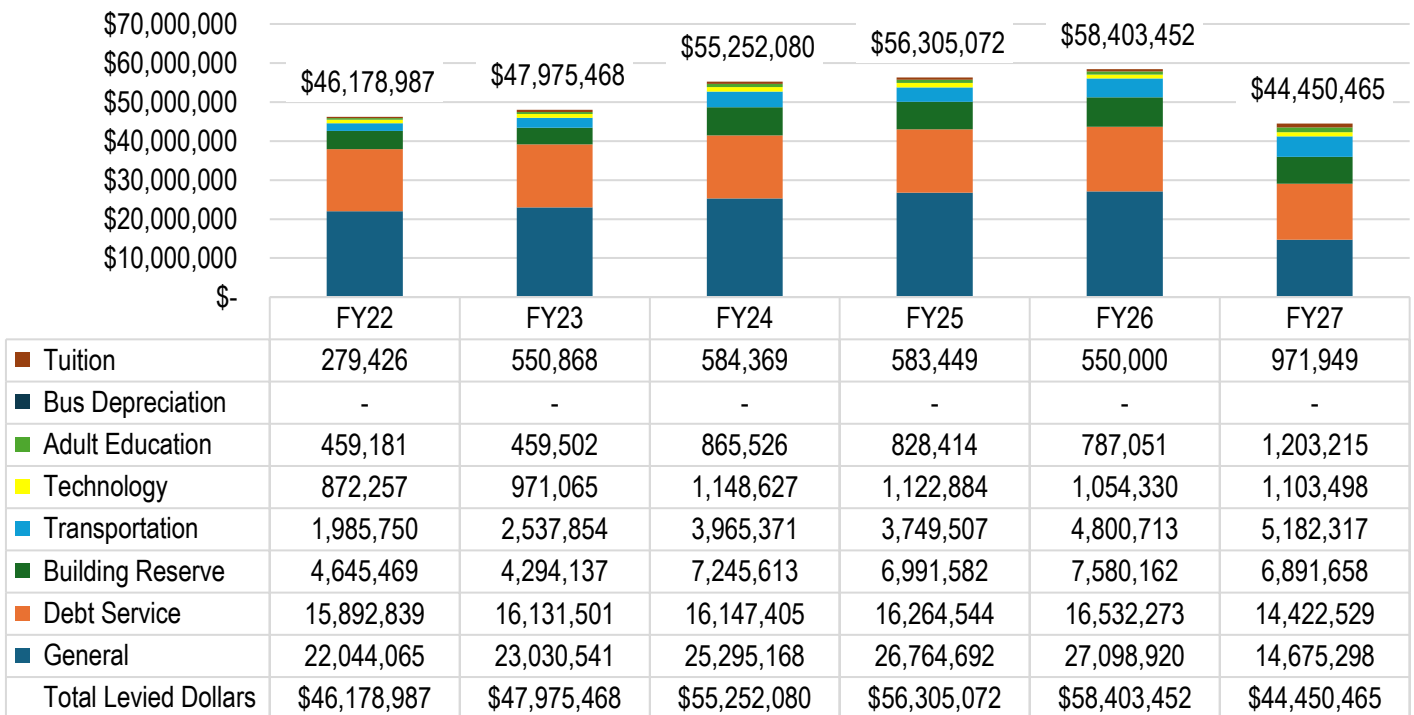
Montana does not have a general sales tax, and income tax revenue goes directly to the State Department of Revenue. As a result, local property taxes are a primary funding source for school budgets. As Bozeman's budgets grow, historically local property tax levies increased as well. However, the FY 2026-27 budget is funded by \$44,450,465 in property taxes, a decrease of 13,952,987 (23.89%) from FY2026. This is primarily due to the implementation of HB 156. The following graphs detail the levied amounts by District and then by fund:

Bozeman Public Schools Elementary and High School Levy Amounts



Source: District records

Bozeman Public Schools K-12 Levied Dollars - All Funds



Source: District records

The largest tax changes occurred in the General funds and Debt Service funds. Together, these funds account for 95% of the 2026-27 tax decrease.

- General Fund: \$12,423,622 tax decrease. HB 156 legislation replaces individual school district BASE levies with countywide BASE levies beginning with FY 2027. Under the new structure, the BASE funding requirements of all elementary districts and all high school districts within a county are combined and the necessary mills are levied across the county's entire taxable value, rather than separately against the taxable value of each individual district. This change significantly reduces the local General Fund BASE levy for districts that previously carried a higher levy requirement. At the same time, the legislation does not eliminate the underlying funding obligation; instead, it distributes those BASE levy costs more broadly among taxpayers throughout the county. In doing so, HB 156 shifts a significant portion of General Fund taxation from a district-by-district structure to a countywide structure, creating greater consistency in the property tax effort required to support Montana's BASE school funding system resulting in a significant tax decrease for the district.
- Debt Service: \$2,109,744 tax decrease. The majority of this decrease is due to 2006 High School bond debt being fulfilled. The \$1.8 million/year decreases the amount of taxes levied in the high school debt service fund. In addition, TIF allocation and increasing fund balances have had a substantial decrease in overall property taxes needed to fund FY 2027.

The 2026–27 fiscal year is not a statewide reappraisal year. However, overall property valuation increased by 7.85% in the Elementary District and 8.59% in the High School District. The increase was due to newly taxable properties being recognized by the Department of Revenue, however, the majority of the increase was primarily due to SB 542 – in which second homes, or short term rental properties are being taxed at a significantly higher rate than primary residences or long term rental properties. These properties alone accounted for 5.96% of the taxable value increase in the Elementary District and 6.65% in the High School District.

This non-reassessment year is a notable shift for Gallatin County, where taxable value has historically resulted in a small increase during re-appraisal years due to newly taxable property. However, with the property tax bills passed during the 2025 legislative session, the rules surrounding taxes for different types of residential properties has had a dramatic impact.

Because overall taxable value increased in both the Elementary and High School Districts for FY2027, this will result in **less mills** being levied to collect the same amount of revenue as in FY2026. However, some of the District's levies were approved by taxpayers as "mill based" levies. Therefore, when taxable value increases, so does the value of one mill. Resulting in additional revenue for the District specifically in the Building Reserve Safety Levy and the High School Tech levy.

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 2026-27 notice was posted in the Bozeman Chronicle on March 17, 2026 will be included as Appendix III in the 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

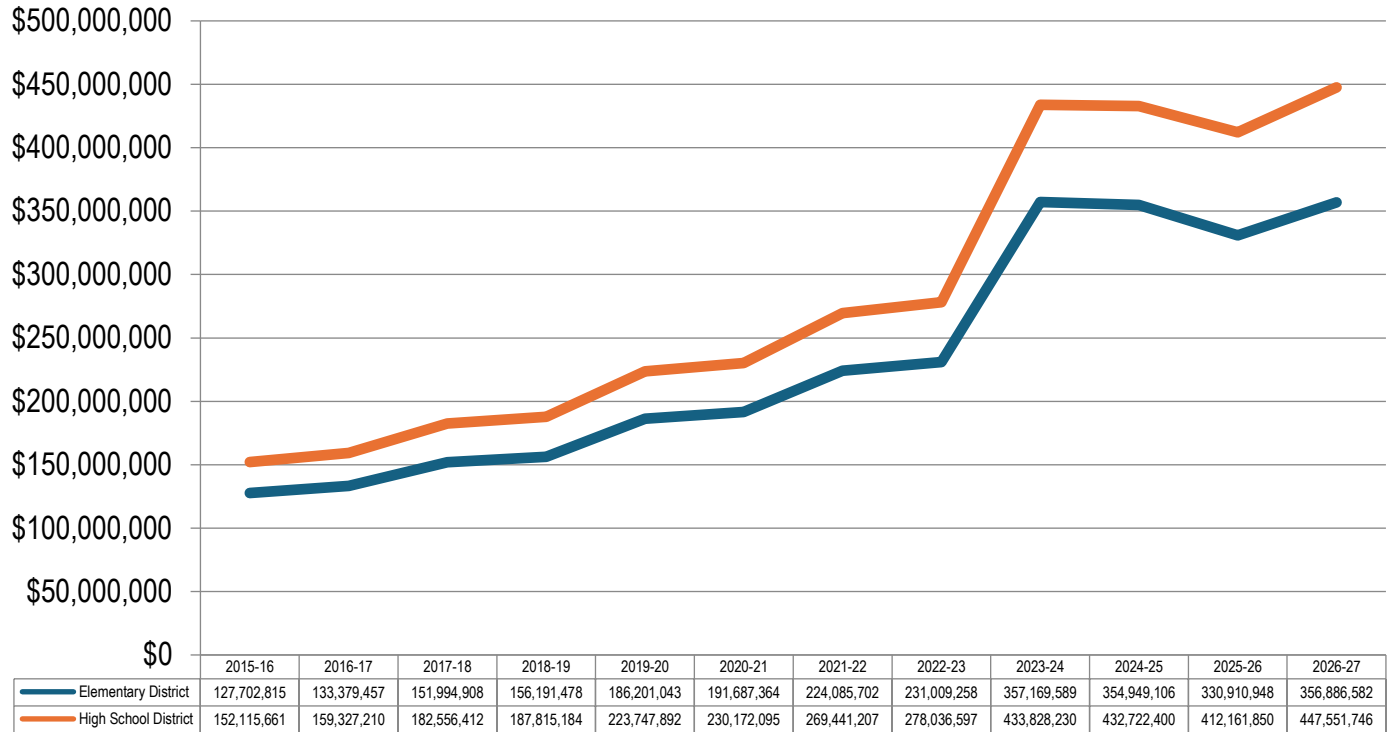
result from the Montana Department of Revenue's periodic revaluation and the 2008 recession. Taxable values are now reassessed every two years. The more recent assessment period occurred in 2026, and taxable values decreased by 6.77% in the Elementary and 4.75% High School District last year. While this 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.

Tax tiers are once again changing for the 2026–27 budget period as a result of legislation passed during the 2025 Legislative Session. These changes revise how residential property is taxed and introduce different tax rates and exemptions depending on property use, including distinctions between primary residences, long-term rentals, and other residential properties such as second homes and short-term rentals.

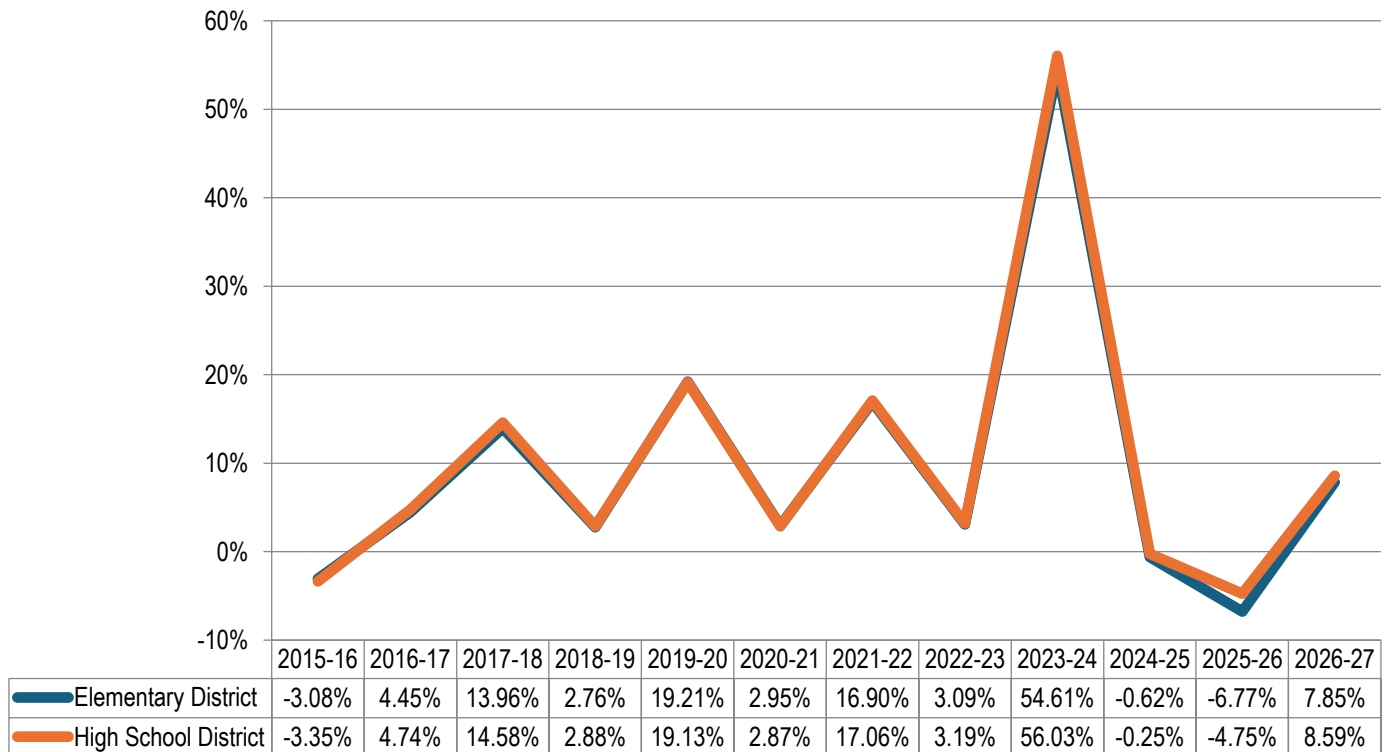
Following the legislative session, a lawsuit was filed in Gallatin County District Court challenging the constitutionality of Senate Bill 542 (SB 542), one of the primary bills implementing these property tax changes. The Governor subsequently asked the Montana Supreme Court to take up the case directly; however, the Court declined to exercise original jurisdiction, allowing the case to continue through the district court process.

While the legal challenge remains unresolved, the District will continue to budget based on current law and the implementation of SB 542. With the 2027 Legislative Session approaching, additional changes to Montana's property tax structure are also possible as lawmakers revisit the impacts of the reforms enacted in 2025. Given the combination of ongoing implementation, pending litigation, and the potential for further legislative action, this document does not forecast taxable values beyond the period for which reliable information is currently available.

Bozeman Public Schools Taxable Value History

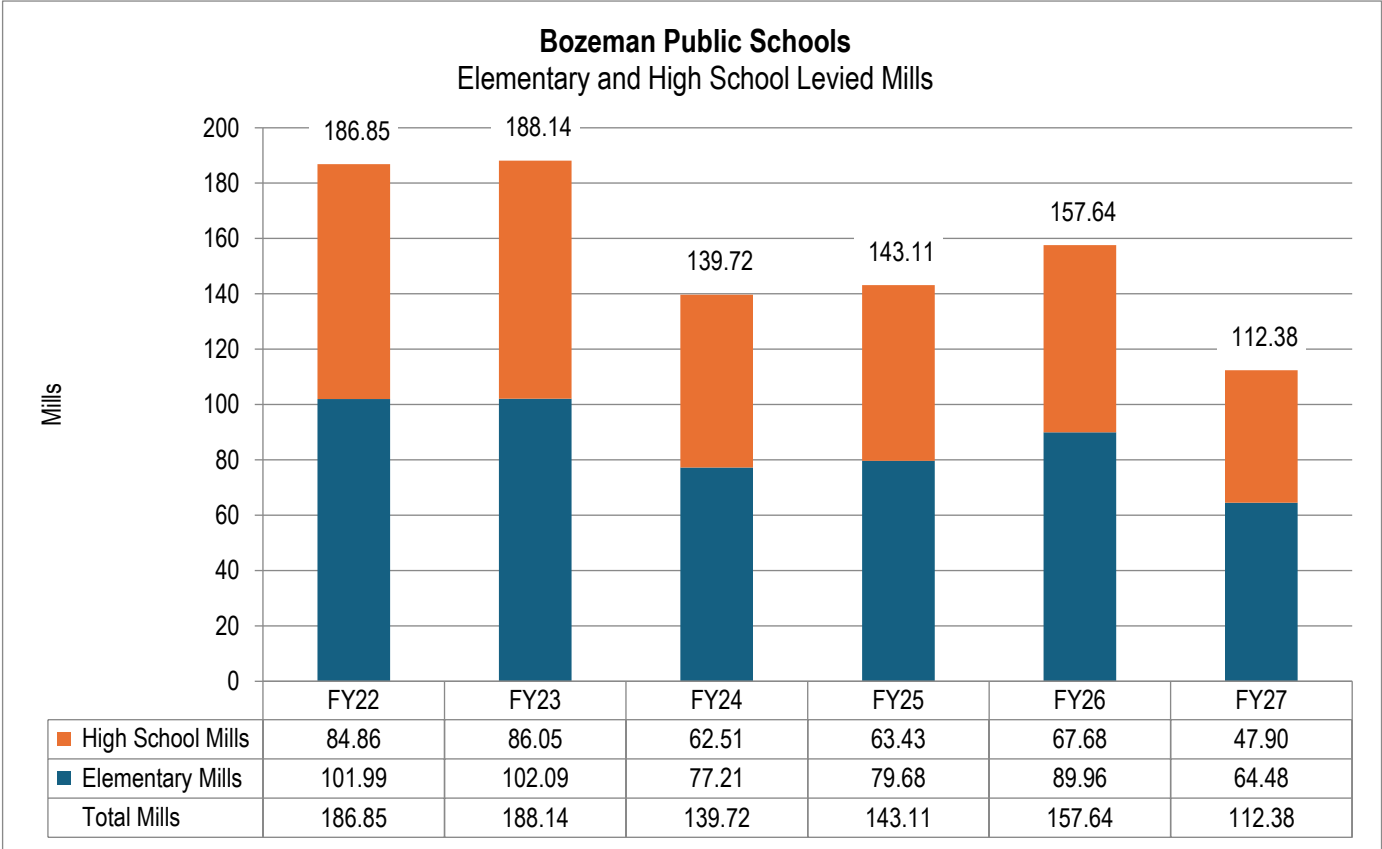


Bozeman Public Schools Taxable Value Growth Rates



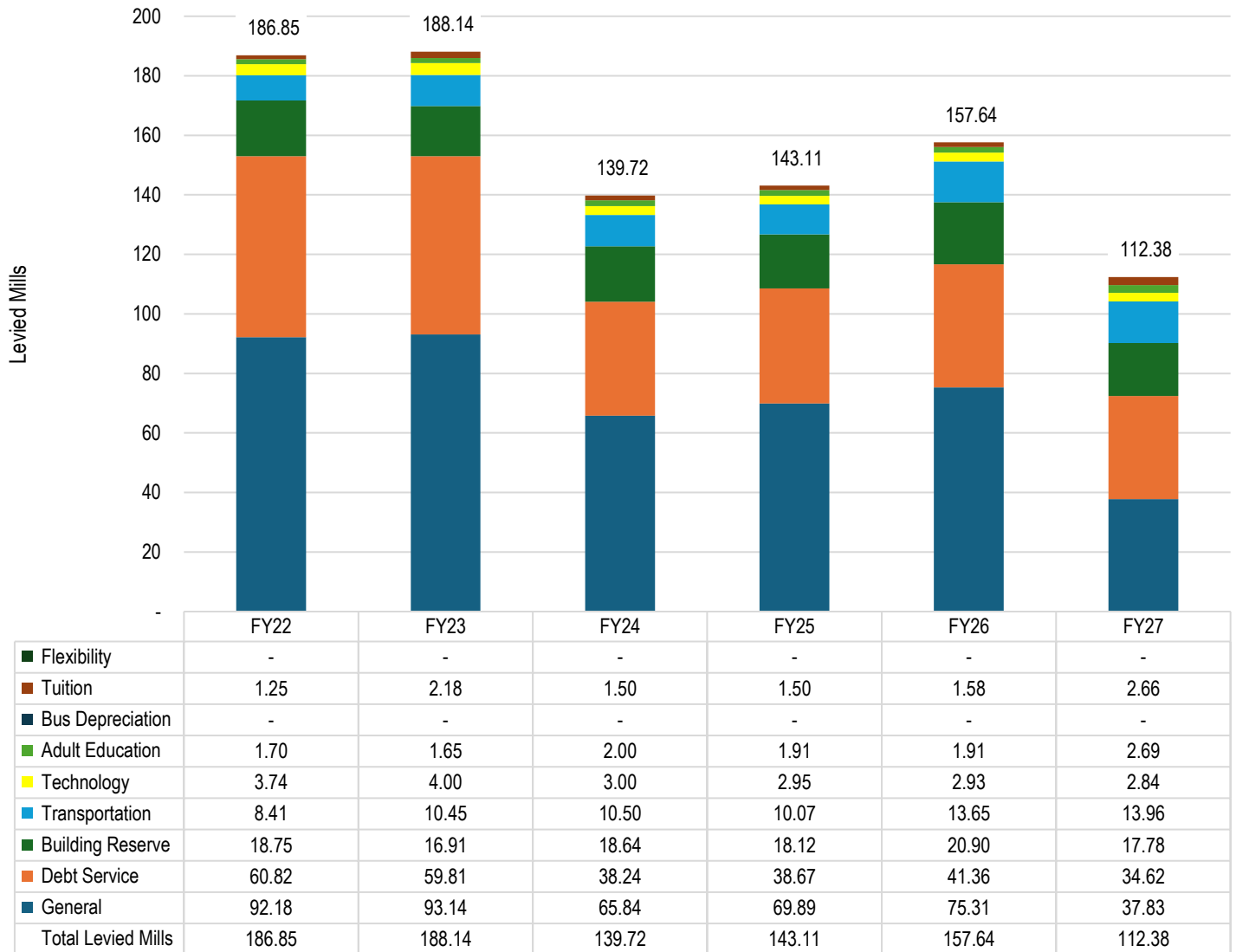
Source: Montana Department of Revenue, District records

With the fluctuations in taxable value, the mills have historically been decreasing as the taxable value increases. However, with the recent increase in taxable value the District is encountering an decrease in mills for 2026-27, as each mill is worth more. As a result, less mills will be required to reach those limits, decreasing the overall mills levied by the District. This, in addition to levying less revenue in the general fund creates a large decrease in overall mills required to fulfill our revenue requirements.



Source: District records

Bozeman Public Schools K-12 Levied Mills by Fund



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	FY21 FTE	FY22 FTE	FY23 FTE	FY24 FTE	FY25 FTE	FY26 FTE	FY27 FTE Projected
Certified	527.3	530.3	538.16	527.68	529.64	541	538.9
Classified/Prof*	278.47	298.7	283.15	320	318.76	306.28	312.5
Administrators	27	28.1	29	28	28	29	28.5
Total	832.77	857.1	850.31	875.68	876.4	876.28	879.9

* 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 2026-27 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 growth in the Elementary District, and slight decrease in High School students during the 2026-27 school year. The staffing model reflects the class offerings available at each high school location.

Department	2025-2026 Actual FTE	2026-27 Budgeted	
		FTE	Change
Art	8.5	8.3	(0.2)
Business	3.5	3.8	0.3
Family & Consumer Science	3.0	3.3	0.3
World Languages	11.2	11.2	(0.0)
Language Arts	23.2	22.3	(0.9)
Math	23.0	23.2	0.2
Music	5.5	5.5	0.0
Health Enhancement	12.5	12.3	(0.2)
Science	17.8	17.8	(0.0)
Social Studies	20.9	20.0	(0.9)
T & I	8.8	7.0	(1.8)
BioMedical Science	3.3	3.3	0.0
Special Education	19.8	18.5	(1.3)
Library	4.0	4.0	-
Counseling	8.0	10.0	2.0
Specialists	10.0	10.7	0.7
Study Hall	2.2	2.3	0.1
Total Certified FTE	185.2	183.3	(1.9)
Administrators	7.0	7.0	-
GRAND TOTAL	192.2	190.3	(1.9)

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, 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 has increased in recent 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 \$29,306,200 in Elementary, and \$108,129,175 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 had two separate bond issues paid off in FY26, and it reduced 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 36th consecutive year for Fiscal Year 2025 in May 2026. 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 – Bozeman High School graduation, Gallatin High School girls' volleyball state champions, and Elementary students performing at a Veteran's Day assembly.