

Bozeman Public Schools



2021-22 Adopted Budget

Introductory Section/Executive Summary



Bozeman Public Schools
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DATE: August 16, 2021

TO: Board Chair
Members of the Board of Trustees

FROM: Mike Waterman, Executive Director of Business and Operations
Lacy Clark, Budget and Risk Management Coordinator

RE: 2021-22 Budget Overview

On August 16, 2021, the Bozeman School District Board of Trustees adopted its budget for the 2021-22 fiscal year. This document is intended to provide the reader with an overview of the Bozeman School District and its 2021-22 budgets. This overview is organized into three sections: organizational, financial, and informational. The budget document contains additional information on all of these topics.

ORGANIZATIONAL SECTION

Board of Trustees

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

Board Member	Term Expires May,	Total Time Served on Board	Occupation
Sandra Wilson, Chair	2024	6.5 years	Retired Teacher
Greg Neil, Vice Chair	2023	4.5 years	Insurance Agent
Lei-Anna Bertelsen	2024	Newly Elected	Education Facilitator
Kevin Black	2023	1 year	Real Estate Agent
Douglas Fischer	2024	6 years	Journalist
Gary Lusin	2024	15.5 years	Physical Therapist
Tanya Reinhardt	2022	5 years	Business Consultant
Lisa Weaver	2022	Newly Appointed	Luxury Estate Manager

Source: District records

Executive Administration

In Montana, the Board of Trustees alone has the ability to hire and fire staff. The Bozeman School District staff is organized into four branches. An Administrator leads each branch, and each of these Administrators reports to the Superintendent.

Mr. Casey Bertram is the District's current Interim Superintendent, and was appointed to this post effective July 1, 2021. Last year, Mr. Bertram served as the Deputy Superintendent Curriculum and Technology and before 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 the District's Deputy Superintendent Instruction. Dr. King has worked for the Bozeman School District since 1999.
- Mike Van Vuren, who now serves as the Interim Deputy Superintendent Curriculum and Technology. 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

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

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

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

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

With these overarching goals in mind, the trustees and administrators establish specific focus goals and action plans. The Board's current focus goals for the 5-10 year planning horizon are:

- Early Literacy Goal: By 2025, 85% of all children entering Kindergarten will have requisite literacy skills as measured by Acadience.
- Grade Level Reading Goal: By 2025, 90% of all BSD7 3rd Grade Students will demonstrate grade-level reading skills by achieving a proficient score on the Acadience reading assessment at the end of the school year.
- Professional Learning Community ("PLC") Goal: By spring of 2025 all BSD7 schools PK-12 will have fully implemented PLC's in place that will support the closing of the achievement gap, thus qualifying BSD7 as a Solution Tree Model PLC District.

A goal related to graduation rate is also under development, but not finalized at the time of budget adoption.

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 2021-22 budget has been in the planning stages since August 2020.

Budget Development Process and Timeline

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

There were no changes from the 2020-21 budget process or policies. In compliance with Montana law, the adoption of the final 2021-22 budget occurred August 16, 2021.

Allocation of Human and Financial Resources

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

FINANCIAL SECTION

Overall, the Bozeman School District's finances remain very healthy. Voted levy requests continue to pass in our community, reserves are currently at their legally-allowed maximums, and our tax impact remains reasonable. As further testament to this fact, Moody's reaffirmed the High School District's bond rating of Aa2 in November 2020 following a revision to their internal rating criteria. The bond rating is the highest of any school district in Montana. Moody's cites several factors—the District's diverse and growing tax base, the strong institutional presence of Montana State University, healthy financial position with growing reserves, and a manageable debt profile—for the rating. The District is pleased with this rating—not only for the interest savings on our recent bond issue and refinances, but because it is indicative of the District and community's overall financial health.

Budget Overview

The State of Montana establishes eleven budgeted funds: accounting units whose spending authority is determined annually by the Board of Trustees. The Bozeman School District uses ten of these eleven budgeted funds. The Districts' spending authority in these budgeted funds is increasing to meet the needs of our growing student population.

As the following table shows, the total combined elementary and high school expenditure budgets for all budgeted funds in 2021-22 is \$104,012,421. This total represents an increase of \$2,124,116 (2.1%) over the prior year's budget:

	FY2020-21 Budget	FY2021-22 Budget	Change \$	Change %
General	\$ 53,782,305	\$ 54,581,291	\$ 798,986	1.5%
Debt Service	18,426,070	17,426,059	-1,000,011	-5.4%
Building Reserve	13,350,457	16,019,204	2,668,747	20.0%
Retirement	8,450,000	8,450,000	0	0.0%
Transportation	4,111,420	3,421,372	-690,048	-16.8%
Technology	2,012,785	2,091,815	79,030	3.9%
Adult Education	383,166	470,181	87,015	22.7%
Bus Depreciation	609,102	610,481	1,379	0.2%
Tuition	755,000	908,171	153,171	20.3%
Flexibility	8,000	33,847	25,847	323.1%
Total K-12	\$ 101,888,305	\$ 104,012,421	\$ 2,124,116	2.1%

Source: District records

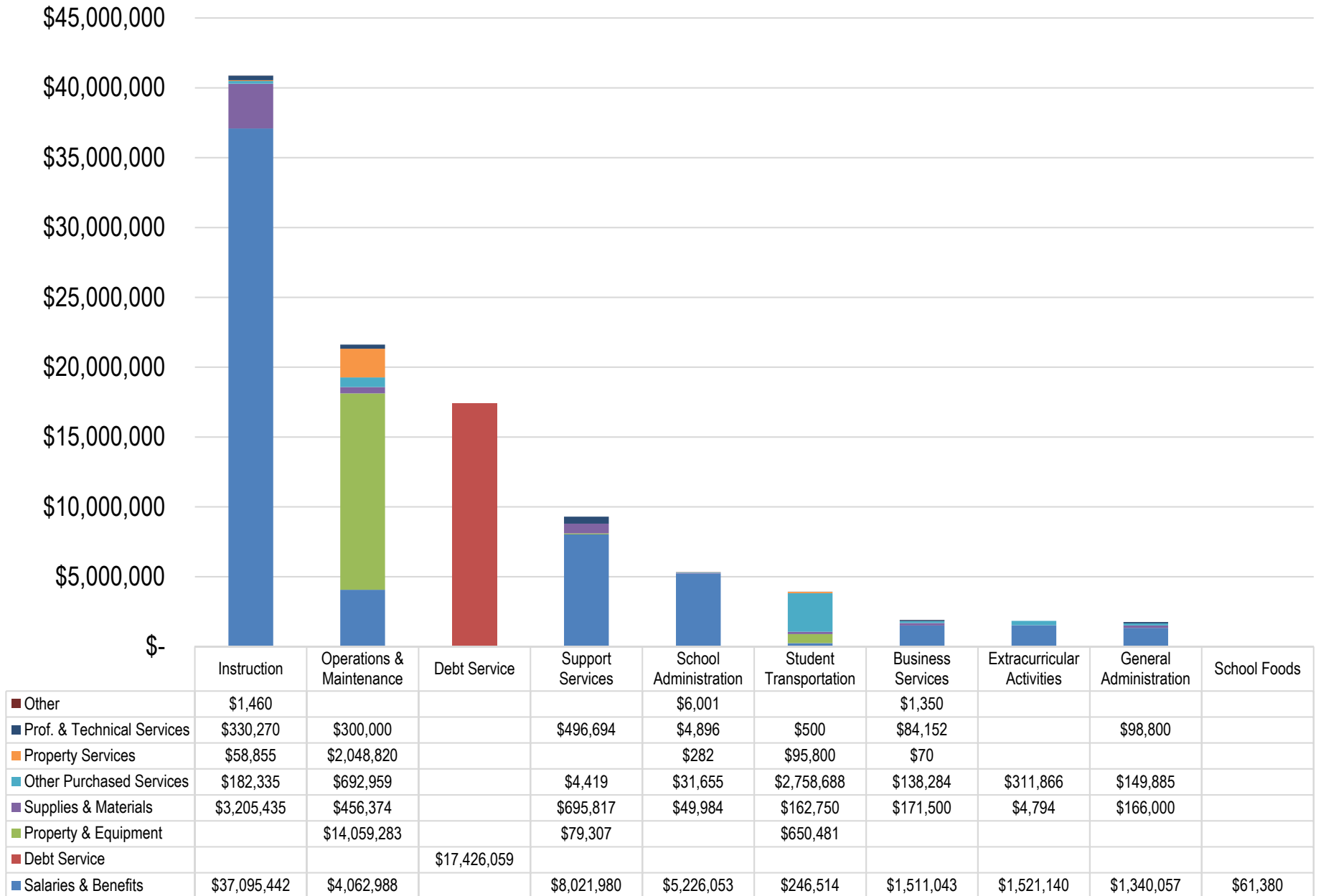
Expenditure Summary

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

Of the \$104,012,421 in total budgeted expenditures, the District plans to spend \$40,873,797 (39%) on Instruction and \$59,086,597 (57%) on Salaries and Benefits – the largest single function and object amounts, respectively.

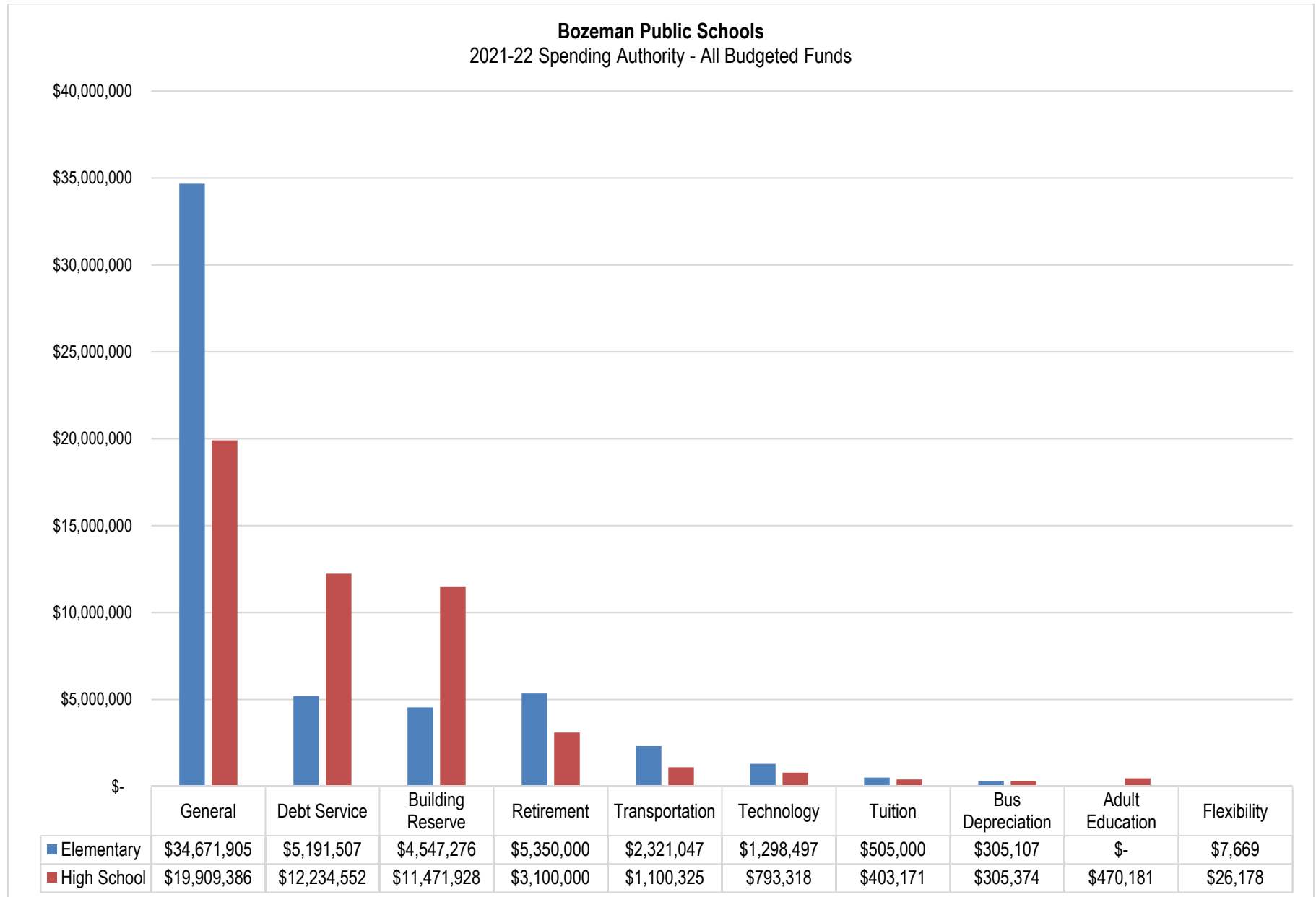
The following graph summarizes total budgeted expenditures by function and object:

Bozeman Public Schools **2021-22 Budgeted Funds Expenditure Budget by Function and Object**



Source: District records

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



Source: District records

The budget document further details these planned expenditures.

Significant Trends, Events, and Initiatives

There were no significant changes in the District's demographics this year. However, four significant events will impact the District and its budgets in 2020-21. Those events are the COVID-19 pandemic, the opening of Gallatin High School and the Bozeman Online Charter School, and the inception of an early childhood literacy initiative. The highlights of those events are as follows:

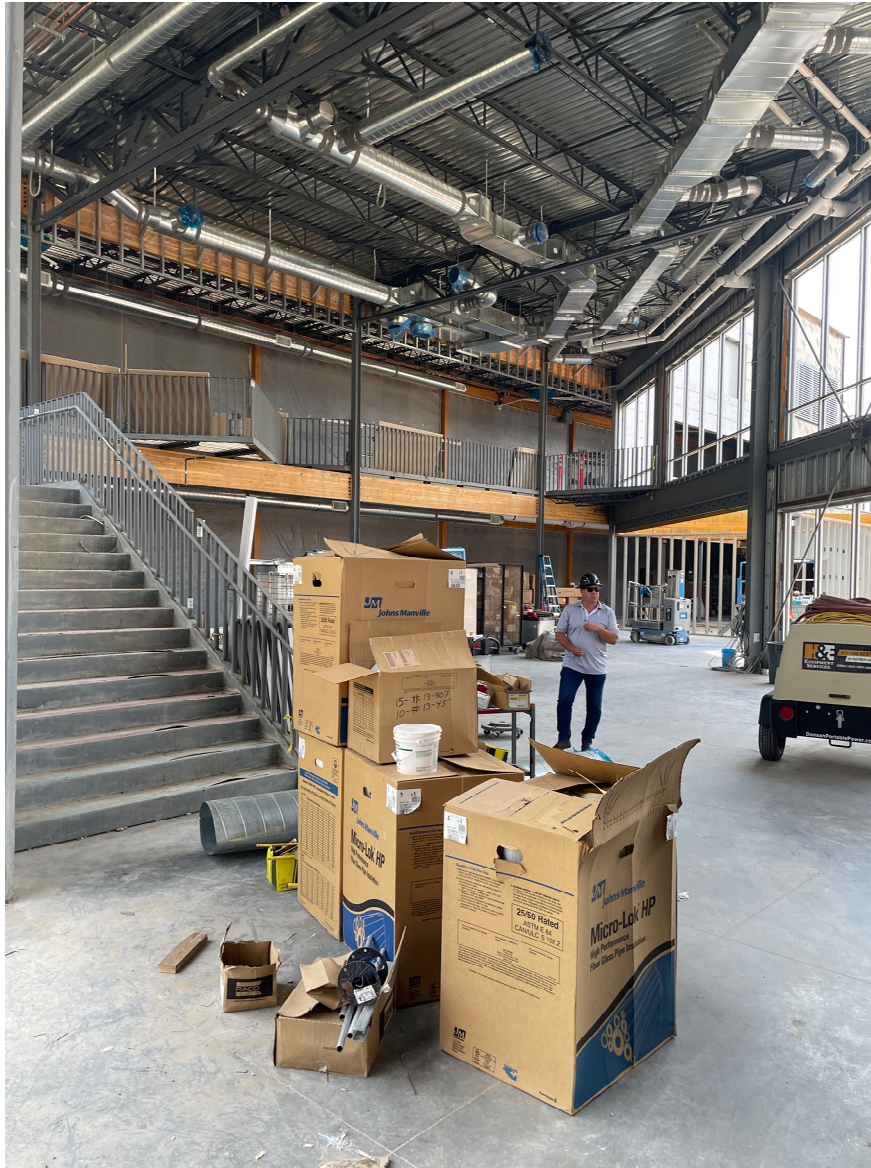
- COVID-19. Perhaps the most significant event affecting the District this year is the impacts of the coronavirus pandemic, or COVID-19. Last year, the District began the school year in a 'blended' model (some in-person instruction and some remote learning), but returned to full in-person instruction later in the year. COVID numbers remain low in the community and emergency declarations were lifted for both the Bozeman School District and State of Montana in June 2021. The District will start the year with all students offered in-person learning, and masks are currently optional for students and employees.

Nonetheless, the pandemic will impact the District for several years to come. The Elementary District lost 385 students (7.9% overall) from October 2019 to October 2020, the first enrollment decline in decades. Since General Fund budgets are based on enrollment, Elementary funding allocations will drop accordingly.

The pandemic also caused changes at the state level, which will also impact the District. The legislature passed several bills to allocate federal relief dollars and address other aspects of the pandemic. Many of these bills are temporary in nature and hamper the District's ability to perform any kind of meaningful long-term financial planning.

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

- Opening of Gallatin High School. Although perhaps overshadowed by the pandemic, a significant and long-anticipated change occurred for the District and Bozeman community in August 2020-21: the District opened Gallatin High School (GHS), the community's second high school building and the first new high school in Montana since Glacier High School opened in Kalispell in 2007. With more than 2,200 students, Bozeman High School ("BHS") had grown to be the largest high school in Montana. The journey toward the two high school model began when local voters approved a \$125 million bond issue in 2017 to construct the new building and renovate BHS.



Last August, Gallatin High School opened its doors to freshmen, sophomores, and juniors. This year, both BHS and GHS will serve all four high school grades. Boundary lines were drawn to make the schools as equal as possible: enrollment and income levels are expected to be roughly equal. GHS receive the Title I designation for the High School District.

The outgoing one-high school model allowed for significant efficiencies of scale, and many of those efficiencies will be lost when Gallatin High School opens this year. Administration estimated opening the second facility would require around \$2.4 million per year in additional operating costs in today's dollars—roughly 12% of the annual High School operating budget. The State of Montana's funding formula sets maximum spending levels in an attempt to equalize per-student spending across the state. The Bozeman School District is near the cap, so no additional funds will become available when the school opens its doors.

The change was anticipated, and the District took proactive steps to address it. In particular, conservative operational budgeting leading up to 2020-21 and obtaining voter approval for a new six-year \$1 million levy per year Transition Levy provided the District with savings and a short-term funding stream to provide for higher operational costs while the district grows into the new school.

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

Construction at GHS is complete and the BHS renovations are expected to end in December 2021, nearly 6 months ahead of schedule. The picture at left shows the new commons area under construction. This area, along with a new two-story classroom wing, will both open when school starts on August 30, 2021.

- Opening of the Bozeman Online Charter School. The Bozeman On-Line School was implemented at the beginning of the 2020-21 school year due to the need for elementary and middle school families to engage in remote instruction during the COVID pandemic. The experience was very positive

for some families and prompted the application for public charter school status, now called the Bozeman Online Charter School (“BOCS”). The BOCS is the state’s first public online charter school and will commence operation in August 2021.

The program will start the year with approximately 80 students and employ 7.5 certified teachers. At its onset, the model is very inefficient from a financial perspective: it will have the highest per-student cost of any school in the District. However, enrollment growth is expected and it is envisioned that the program will free up space in the District’s brick-and-mortar facilities and delay the need for the construction of a ninth elementary and/or third middle schools. Additionally, remote learners can be served without the ‘overhead’ costs of in-person students: utility costs, custodial services, accreditation standards. While It is envisioned that the program will gain popularity and become an effective and efficient way to deliver quality instruction.

The program’s costs—approximately \$687,000—will be charged to the Elementary General Fund beginning this year.

- Early Childhood Literacy Initiative. In late 2020, the Board of Trustees added an Early Childhood Literacy Initiative to its list of strategic goals. Research indicates that students reading at grade level when they enter kindergarten are more likely to succeed in school. Beginning in 2021-22, a Teacher On Special Assignment will lead outreach to new parents in the Gallatin valley and provide them with literacy resources and other assistance to help and encourage them to read to their children. The financial implications of this initiative are relatively small—one certified FTE—but the District is hopeful the investment will produce great gains in future student achievement. Since the TOSA will provide instruction to area adults rather than students, the cost of the program (approximately \$91,000) will be financed through the Adult Education Fund.

These events played a primary role in the District’s budget changes this year. Some of the most significant changes include:

- \$798,986 increase in the District General Fund budgets. 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 2021 legislature increased the funding rates by 2.57% and 1.50% in 2021-22 and 2022-23, respectively. State law requires these factors to be increased by a derivative of historical CPI inflation figures, and the legislature approved the increases early in the session in accordance with this law.

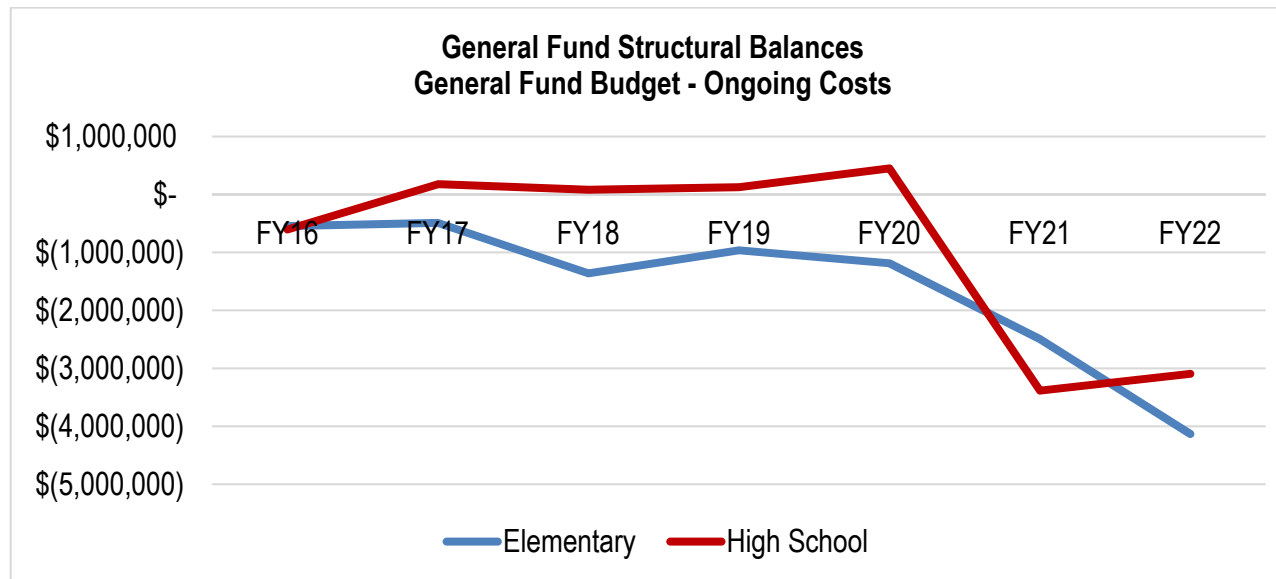
Enrollment fluctuations, however, resulted in mixed changes at the Elementary and High School Districts. Interestingly, the Elementary and High School Districts fared quite differently during the pandemic: as noted above, Elementary enrollment decreased significantly (385 students, 7.9% overall) as a result of COVID-19. High school enrollment, in contrast, grew sharply over the prior year. In fact, the 138 (6.1%) student increase surpassed the District’s prior year projections by 22 students.

One of the most important scrutinized measures of our General Funds is their ‘structural balance’: a comparison of planned General Fund costs and the spending authority available to fund them. This year, the Elementary and High School General Funds both have structural imbalances which total to \$7,223,002 (13.2%) system-wide:

	Elementary	High School	K-12 Total
General Fund Budget Limit	\$ 34,671,905	\$ 19,909,386	\$ 54,581,291
Budgeted General Fund Expenditures	\$ 38,801,655	\$ 23,002,638	\$ 61,804,293
Remaining Capacity/(Structural Imbalance)	\$ (4,129,750)	\$ (3,093,252)	\$ (7,223,002)

Source: District records

In 2019-20, the District's K-12 budgeted structural imbalance was \$5,878,476, so this year's increase is quite significant. In fact, the imbalance has been increase dramatically over time:



Source: District records

The reasons for the imbalances include:

- Opening Gallatin High School. As noted above, Gallatin High School—the District's second high school—opened in August 2020. The economies of scale the District historically enjoyed with one large high school were effectively lost when the new facility opened. Additional annual budget impact of the new high school is estimated at \$2.4 million. The new costs included:
 - 17.5 new certified FTE
 - 1.0 new administrative FTE
 - 11.0 new custodian FT
 - Additional utility costs
 - Doubling of the District's extracurricular costs

- Creation of the Bozeman Online Charter School. The Bozeman On-Line School was implemented at the beginning of the 2020-21 school year due to the need for elementary and middle school families to engage in remote instruction during the COVID pandemic. The experience was very positive for some families and prompted the application for public charter school status, now called the Bozeman Online Charter School (“BOCS”). The BOCS is the state’s first public online charter school and will commence operation in August 2021.

As a part of the application process, the BOCS was granted several variances to accreditation standards and other requirements. Additionally, the online nature of the program means it will operate free of many of the overhead cost structures of a traditional brick and mortar school (utilities, custodians, lunch and recess support, etc.) As a result, the program has the potential to emerge as one of the most cost efficient schools in the District. The program will also free up space in the District’s brick-and-mortar facilities and delay the need for the construction of a ninth elementary and/or third middle schools.

While the District expects the BOCS to yield long-term financial efficiencies, however, low enrollment will prevent the District from realizing those benefits this year. At the time of budget adoption, 80 students were enrolled in the program. The estimated 2021-22 cost of the BOCS is \$689,000, or \$8,591 per pupil—the highest per-student cost in the District. The current staffing structure can accommodate significantly more students, however, so that per-pupil cost should decrease in future years as its enrollment grows.

- Raises in excess of inflationary increases. Wage negotiations with unit and non-unit employees have resulted in pay increases in excess of the General Fund inflationary increase amounts approved by the legislature. While the increases contribute to the imbalance, they are necessary to attract and retain quality employees due to quickly increasing cost of living in Bozeman.
- Loss of elementary enrollment and subsequent General Fund budget authority. As noted throughout this document, the Bozeman Elementary District declined significantly due to the COVID pandemic. Additionally, HB630XXX suspended Montana school district’s ability to build their budgets based on anticipated enrollment increases. As a result of these changes, the Bozeman Elementary General Fund budget will decrease for the first time in over 20 years.
- Addition of curriculum budget. Over a decade ago, the District removed a curriculum line item from the General Fund budgets. Those line items provided funds for new textbook and curriculum adoptions. At the time, the decision was made in anticipation of using open source or District-originated curriculum materials, and the amounts allocated for curriculum were negotiated into the salary schedules to compensate staff for the extra work associated with using these materials. That plan worked temporarily, but in recent years the demand for new, externally produced curriculum materials has resurfaced. To address those needs, \$300,000 and \$100,000 curriculum line items were added to the Elementary and High School General Funds in 2020-21, respectively. The amounts only contribute to the structural imbalance, but were added because they are a necessary cost of sustaining District operations.
- Decision to forego additional General Fund levy requests. In March 2020, the Board of Trustees opted not to seek voter approval for an annual General Fund operating levy. The decision reversed an earlier one and was made in light of the economic uncertainty associated with the COVID-19 pandemic. As a result of the decision, the Elementary and High School Districts’ General Fund budgets were below the state-

authorized maximums for the 2020-21 fiscal year. The levy requests would have increased spending authority, reduced the structural imbalances, and increased local property taxes by \$305,000 and \$364,000 in the Elementary and High School Districts, respectively.

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

- \$2,668,747 increase in the Building Reserve Funds. In May 2020, Bozeman High School voters approved a new six-year Transition Levy to supplement our savings and provide for higher operational costs while the district grows into our new Gallatin High School facility. The levy is limited to the lesser of \$1 million per year or 5% of the District's adopted General Fund budget. In 2021-22, the District's General Fund budget is \$19,909,386, so the Transition Levy this year is limited to \$995,469—a \$43,699 increase over the previous year.

The High School Building Reserve Fund will also grow due to funds carried over from the prior year. Bond-funded construction is wrapping up at Bozeman High School, and this project is addressing many of the ongoing maintenance projects that would normally be funded through Building Reserve funds. The District expects to use High School Building Reserve proceeds to supplement bond proceeds during the final phases of construction. Additionally, some of the projects planned to be funded with Building Reserve proceeds had to be shelved due to lack of available construction contractors.

In total, the Building Reserve Fund budgets will increase by 20.0% in 2021-22.

- \$153,171 increase in the Tuition Funds. The additional funding in the Tuition Fund is a token placeholder for possible additional costs of the Comprehensive School and Community Treatment (CSCT) program. The match requirements of the program changed for 2021-22, and the details of the new requirements are not yet known. CSCT costs themselves may not be allowable costs in the Tuition Fund; rather, the additional budget will be used to offset the costs of delivering special education services to resident students. Doing so will create capacity in the General Fund, and that capacity can then be used to finance the CSCT costs.

The additional budget authority will be financed using fund balance remaining from the 2020-21 fiscal year. The District budgeted those funds for resident student special education costs but opted to carry them forward rather than use them in light of this evolving situation. If the funds ultimately are not needed for CSCT purposes, the funds may be used to reduce future taxes in the Tuition Fund.

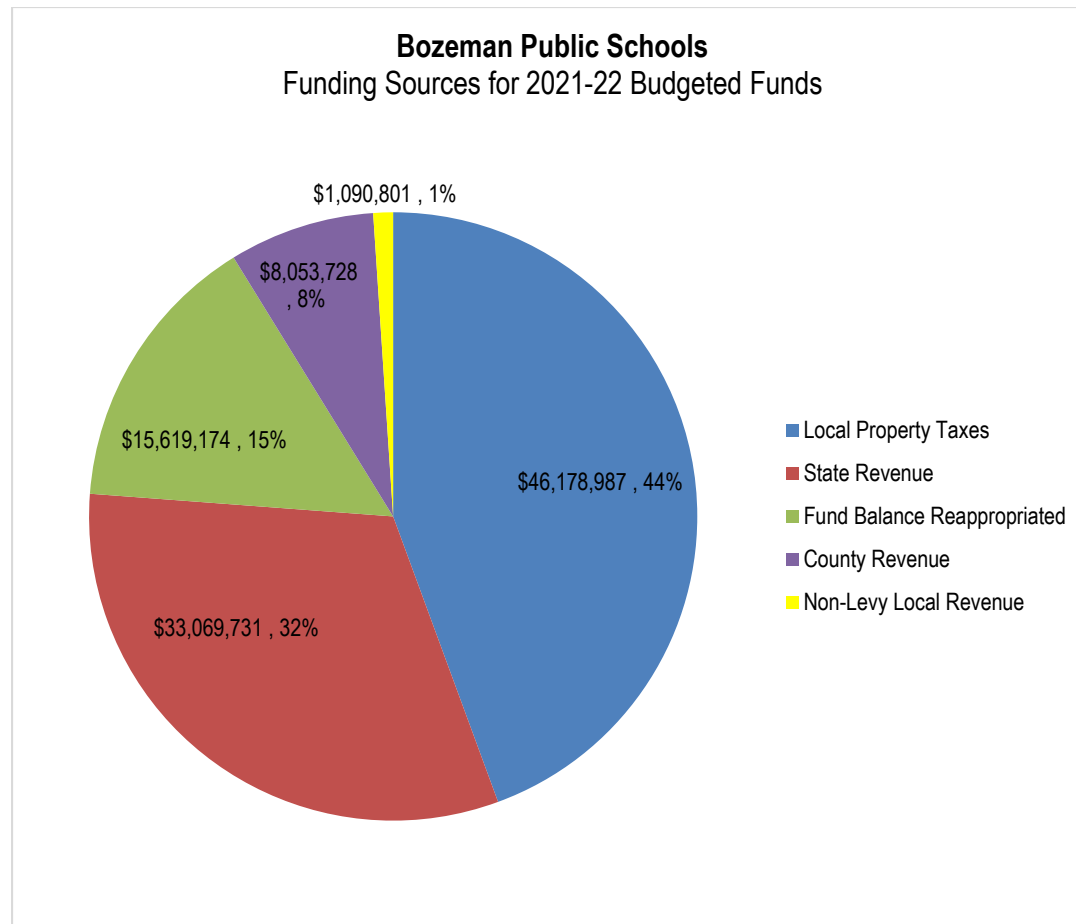
- \$690,048 decrease in the Transportation Funds. The 2020-21, a new Coronavirus Relief Fund revenue was established at the state level, and the that year's budget was increased to accommodate that revenue and additional transportation costs associated with COVID-19. Those funds were spent last year and replacement funds were not made available, so this year's budgets will shrink back to a more normal level. The Board approved a mid-contract rate increase in June 2021 to help the District's home-to-school bus contractor recruit and retain staff. That decision partially offset the loss of the COVID funding; however, the overall Transportation Fund budgets for the District will decrease in 2020-21.
- \$1,000,011 decrease in the Debt Service Funds. The Elementary District's Debt Service payment schedule includes a significant (\$1,059,000, 17%) drop debt payments owed in 2021-22. The decrease was created deliberately as a part of 2016 and 2017 refunding issues. Enrollment projections at that time indicated the District would need to approach voters for a new, ninth Elementary school building this coming year. The schedule reduction

was established to offset the cost of the expected bond request. The payment reduction remains in place until 2023-24, at which time the Elementary payments increase again. The bond payment schedules for both Districts are detailed later in this document.

These changes are explained in greater detail on the corresponding pages of the Financial Section.

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 \$104,012,421 in expenditure budgets adopted for 2021-22 will be funded as follows:



Source: District records

The following table compared these budgeted funding sources for 2021-22 with those budgeted for the prior year:

	2020-21	2021-22	Change
Local Property Taxes	\$ 46,214,348	\$ 46,178,987	\$ (35,360)
Non-Levy Revenue	42,440,548	42,214,260	(226,288)
Fund Balance Reappropriated	13,233,410	15,619,174	2,385,764
Total	\$ 101,888,305	\$ 104,012,421	\$ 2,124,116

Source: District records

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

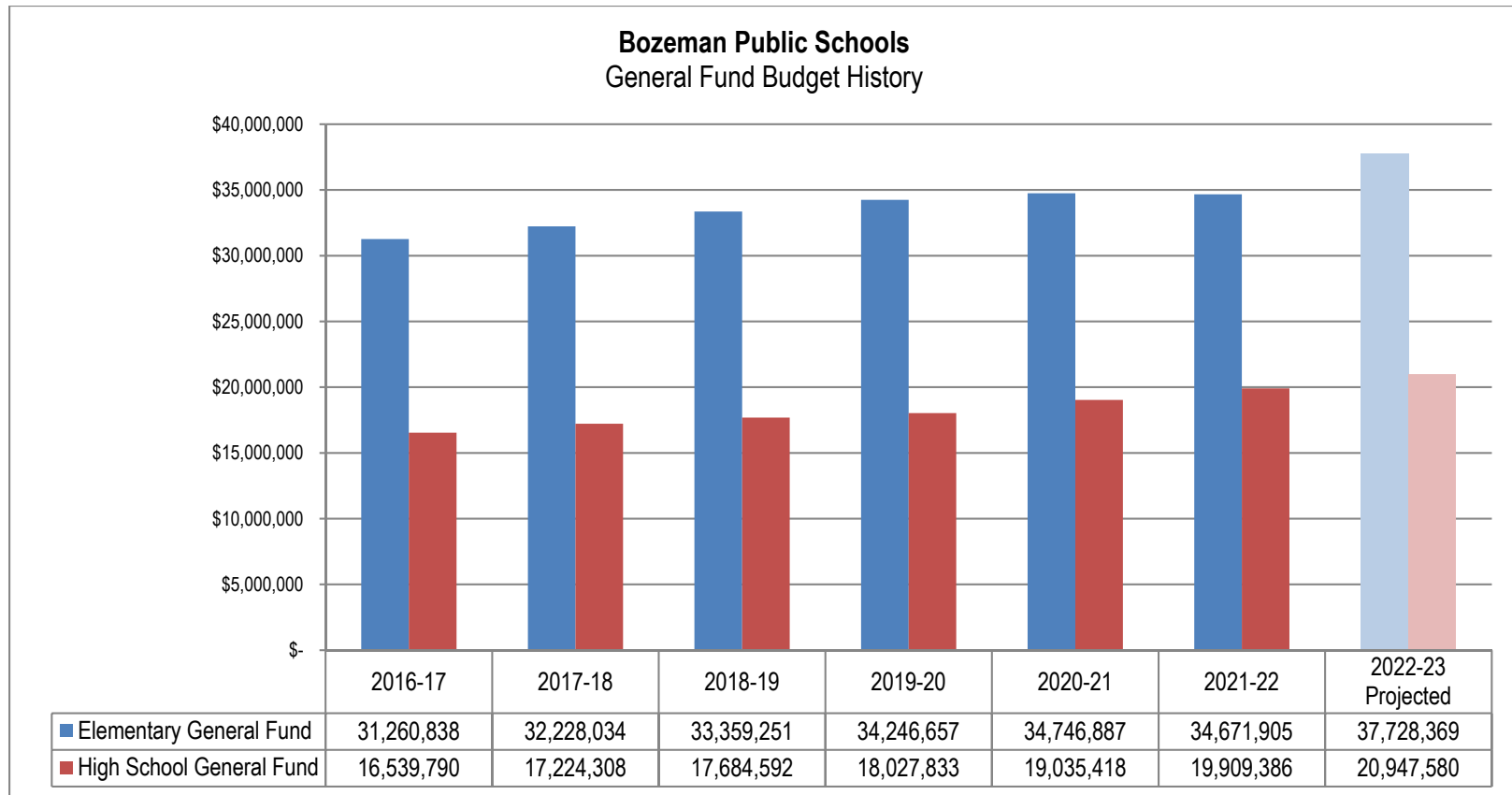
Budget Forecast

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

This system has both advantages and drawbacks. The primary benefit is obvious: districts know their hard spending limits with certainty at the start of each year. There are also drawbacks: in particular, the system essentially mandates year-to-year budgeting and limits our long-range planning ability. The large influx of federal COVID relief funds and changes made by the Montana legislature exacerbate those challenges. While the one-time COVID-relief amounts enable the District to offset funding and efficiency losses and address learning loss convenes in odd-numbered years, they also create funding structures that are unsustainable. Many of the positions that were added using these funds will likely be eliminated when the one-time funds are spent, and those reductions will cast the District in a negative light.

Further, the Montana Legislature enacted changes that will further detract from schools' ability to plan for the future. In particular, HB630 suspended the mechanism by which schools could receive additional state and local funds for current year enrollment increases. Although these increases are allowed to be funded with one-time COVID dollars, those amounts are finite, otherwise obligated, and one-time in nature. They are not suited to sustain the ongoing operational costs of our Districts.

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



Source: District records

Despite our limited ability to project long-range budgets, the District does have an eye on the future of our operating budgets. As noted above, the District expects the High School General Fund structural imbalance to recover as enrollment increases and the District regains some of the economies of scale lost when the District moved to a two high school model. The Elementary District is more of a concern. However, if enrollment rebounds as expected, General Fund budget will increase and the staffing models become more efficient, which will help bring imbalances back to their less troubling pre-pandemic levels.

Nonetheless if salary increases continue to outpace funding increases provided by the Legislature, services will eventually need to be reduced. If reductions ultimately become necessary, however, the District will need to develop a comprehensive list of programs and positions that are not required by the accreditation standards. The list will need to be developed, debated and prioritized.

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

- **Debt Service Funds.** Several changes are expected in the elementary debt service funds in the foreseeable future:
 - As our K-5 elementary buildings near capacity, the District will spend significant time this year discussing the right time to approach voters for approval to build the District's ninth K-5 elementary building. A two-year gap in our Elementary debt service payments will begin in 2021-22, so it

would be advantageous from a taxation perspective to move forward with this request during this gap. Additionally, long construction lead times are the norm in the current environment, so advance planning is required.

- The Elementary District's Debt Service payment schedule includes a significant (\$1,059,000, 17%) drop debt payments owed in 2021-22. The decrease was created deliberately as a part of 2016 and 2017 refunding issues. Enrollment projections at that time indicated the District would need to approach voters for a new, ninth Elementary school building this coming year. The schedule reduction was established to offset the cost of the expected bond request—which has been postponed indefinitely because the expected enrollment increase did not materialize. The payment reduction remains in place until 2023-24, at which time the Elementary payments increase again.

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

- Building Reserve Funds. In the short term, Building Reserve budgets will likely decrease as the High School District spends much of its accumulated balances to complete construction and address some deferred maintenance items at Bozeman High School this year.

The existing High School Building Reserve levy expires at the end of the upcoming fiscal year. The current levy provides \$1,650,000 per year, but an increase is likely needed to maintain the almost 300,000 square feet of facility space that came online with the opening of Gallatin High School. A renewal request is likely at the May 2022 election.

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

Finally, A slight change is expected in the High School Transition Levy amount. As noted above, the levy is limited to the lesser of \$1 million per year or 5% of the District's adopted General Fund budget. The 2021-22 Transition Levy was limited to \$995,469 based on the District's adopted General Fund budget, but administration expects that levy to reach its voter-approved \$1 million maximum in the very near future.

- Transportation Funds. The primary drivers of the Transportation Fund budget are route count and bus miles driven. No significant changes are anticipated in either factor. However, the contract with the District's current contractor, First Student, expires after the 2022-23 school year. The District expects the next contract to contain significantly higher costs due to the area labor shortage and to replace the fully-depreciated bus fleet.
- Technology Funds. Although no significant changes are anticipated in the immediate future, the District is closely monitoring the adequacy of the High School Technology Fund in particular. Costs charged to that fund typically exceed the revenue afforded by a fixed \$200,000 per year levy, so fund balance has been decreasing over time. On a one-time basis, the High School General Fund was able to absorb most of the costs typically paid out of the High School Technology Fund in 2019-20. That cash injection removed some of the urgency from the discussion, but the District will need to address that fund's sustainability in the near future.
- Adult Education Funds. No significant changes are anticipated.
- Tuition Funds. No significant changes are anticipated.

- Bus Depreciation Funds. No significant changes are anticipated.

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

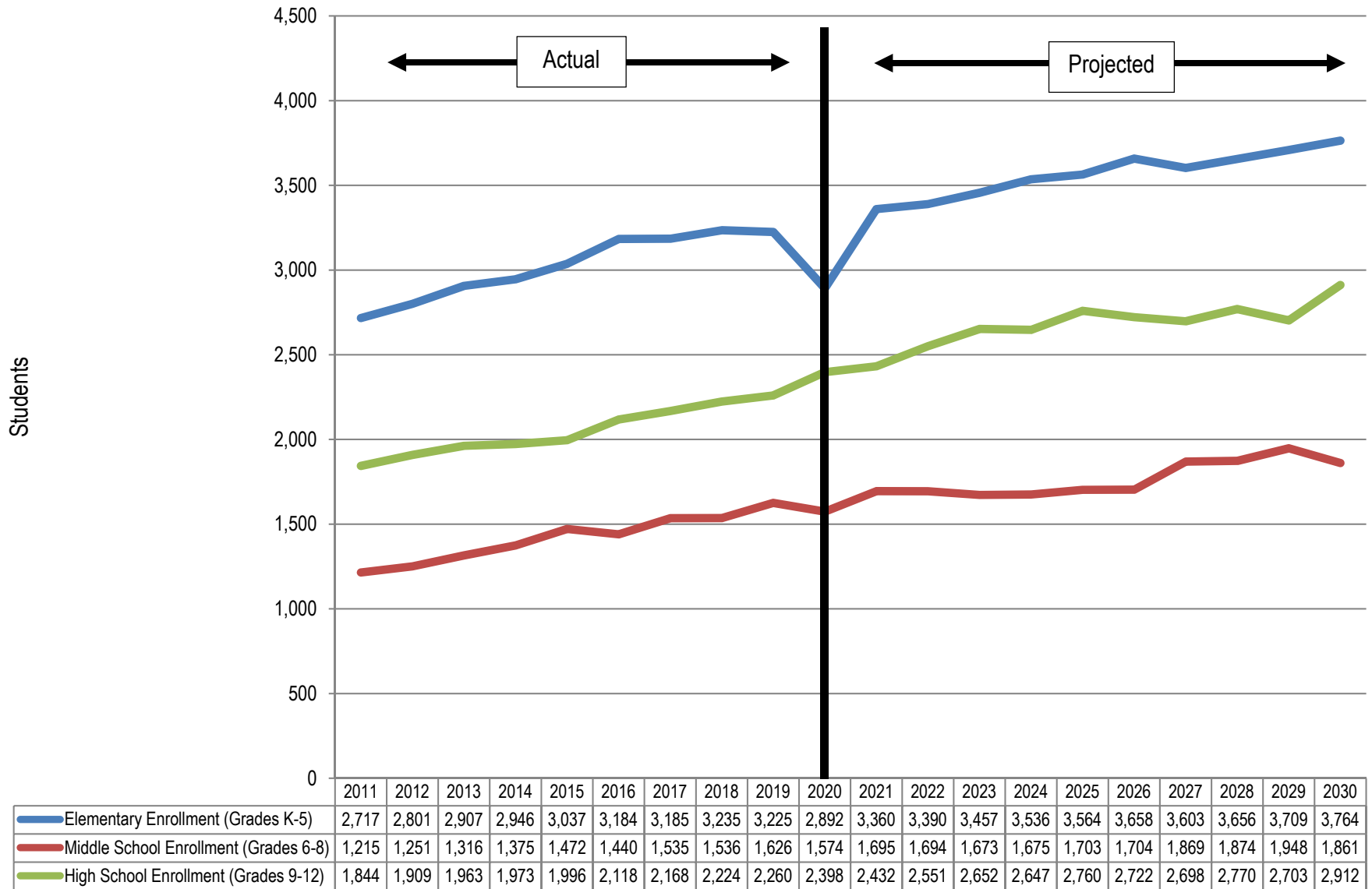
INFORMATIONAL SECTION

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

Enrollment

Enrollment represents the single most important factor in determining the District's General Fund operating budget. The Bozeman community continues to grow and as the graph below indicates, Bozeman School District's enrollment is expected to grow as well. K-12 student populations have increased by 19% over the past ten years, despite a significant enrollment drop due to the COVID-19 pandemic. Our projections—based on information received from the State of Montana, Gallatin County, and Bozeman Health—indicate enrollment will rebound and sustained growth will continue into the foreseeable future.

Bozeman Public Schools
Actual and Projected Enrollment
October 1,



Source: District records

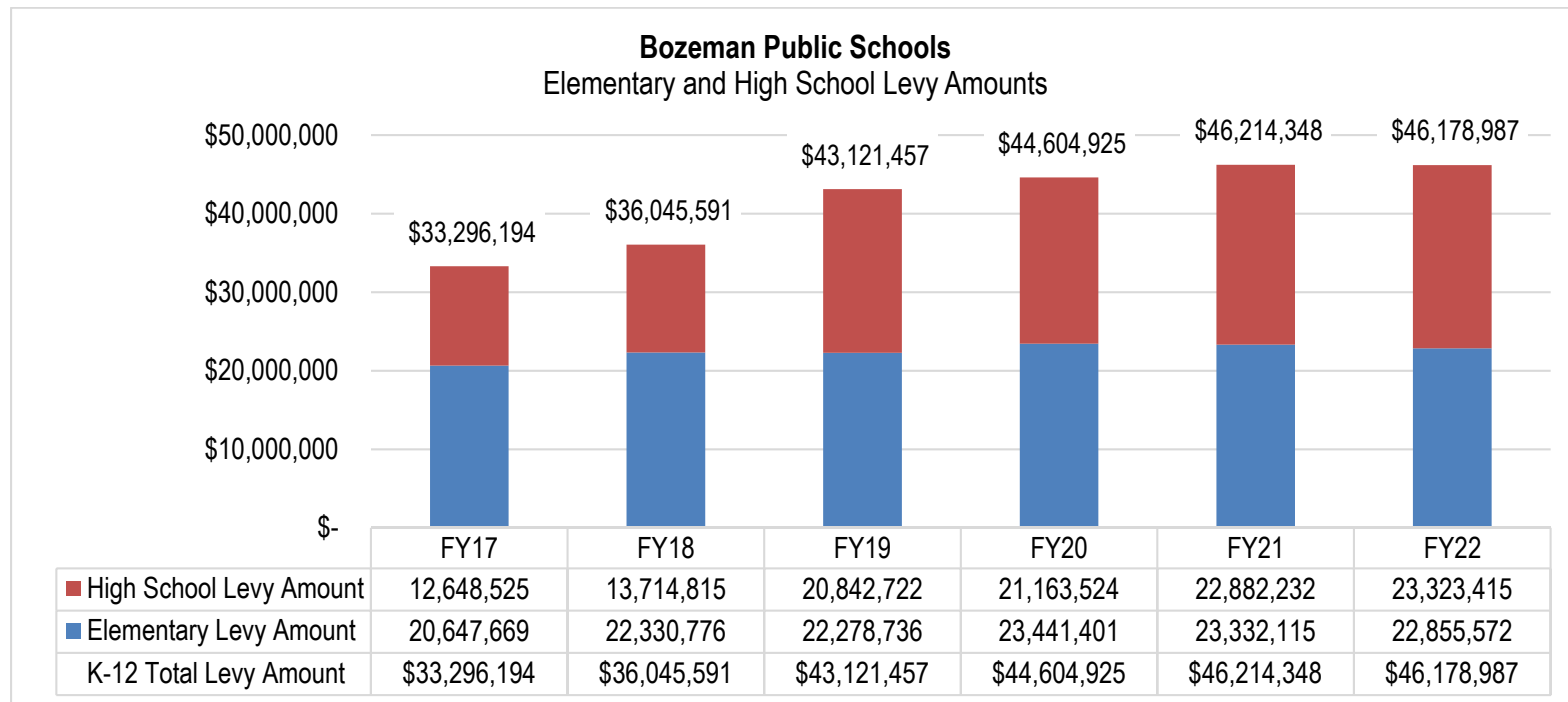
Overall, the District expects enrollment to increase by 623 students (9.1%) from 2020-21 to 2021-22:

	October 1, 2020 Actual Enrollment	October 1, 2021 Anticipated Enrollment	Anticipated Change
Elementary (grades K-5)	2,892	3,360	468
Middle School (grades 6-8)	1,574	1,695	121
High School (grades 9-12)	2,398	2,432	34
Total (K-12)	6,864	7,487	623

Source: District records

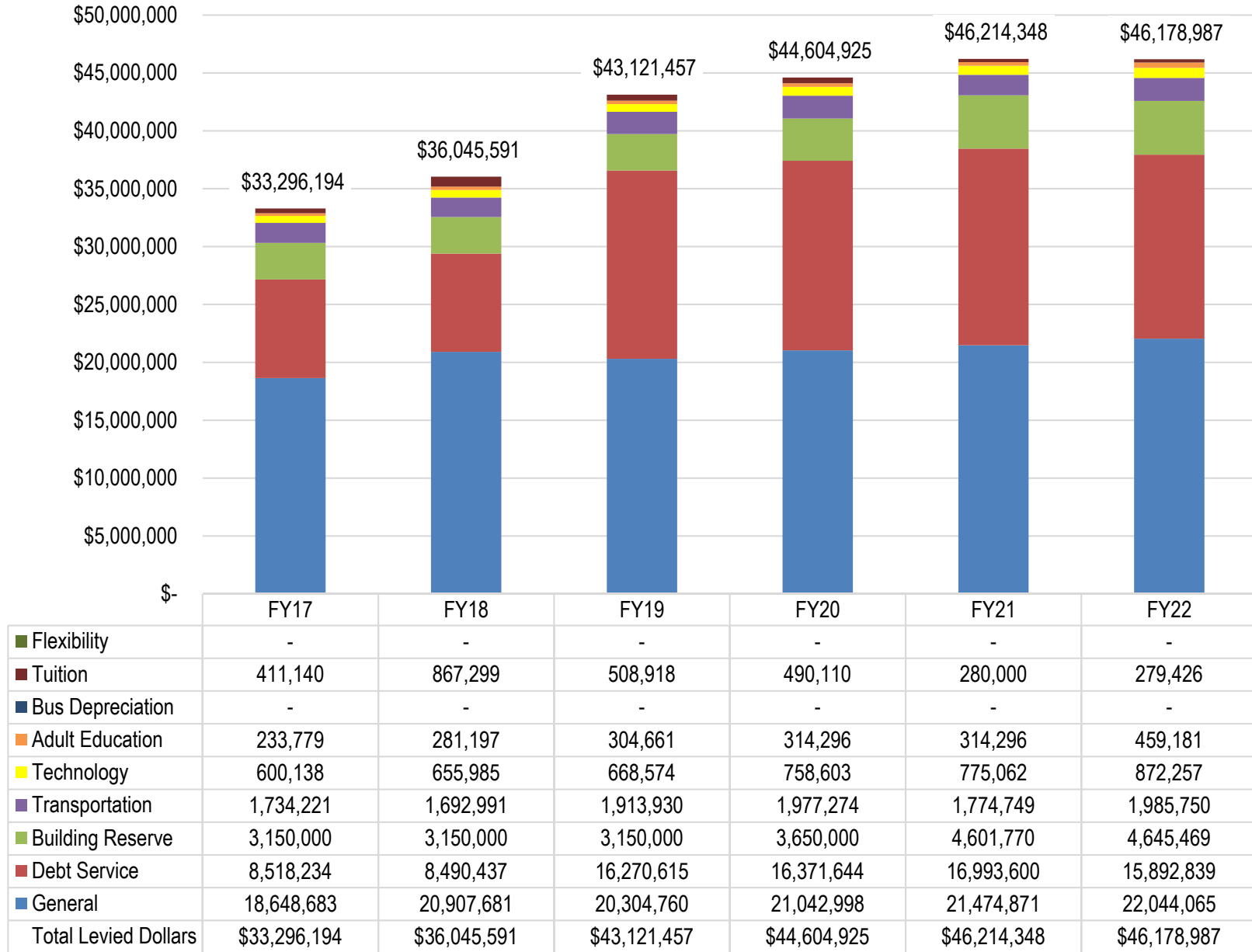
Taxation

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 FY2021-22 budget is funded by \$46,178,987 in property taxes, a decrease of \$35,360 (0.1%) from FY2021. The following graphs detail those amounts by District and then by fund:



Source: District records

Bozeman Public Schools
K-12 Levied Dollars - All Funds



Source: District records

The largest tax changes occurred in the General, Debt Service, Adult Ed, and Technology Funds. Together, these funds account for 93% of the 2021-22 tax increase:

- General Funds: \$569,194 tax increase. In May 2021, voters approved \$644,000 and \$515,000 annual increases to the Elementary and High School General Fund levies, respectively; however, final state budget limits prevented the District from levying the full amounts of these requests. The voted increases were further offset by an increase in Guaranteed Tax Base (GTB) Aid, a state subsidy for mandatory General Fund BASE levies for districts with relatively low taxable values per student. The 2021 State Legislature used newly-authorized marijuana tax receipts to increase GTB and reduce property taxes for districts across the state.
- Debt Service Funds, \$1,100,761 tax decrease. The Elementary District's Debt Service payment schedule includes a significant (\$1,059,000, 17%) drop debt payments owed in 2021-22. The decrease was created deliberately as a part of 2016 and 2017 refunding issues. Enrollment projections at that time indicated the District would need to approach voters for a new, ninth Elementary school building this coming year. The schedule reduction was established to offset the cost of the expected bond request—which has been postponed indefinitely because the expected enrollment increase did not materialize. The payment reduction remains in place until 2023-24, at which time the Elementary payments increase again.

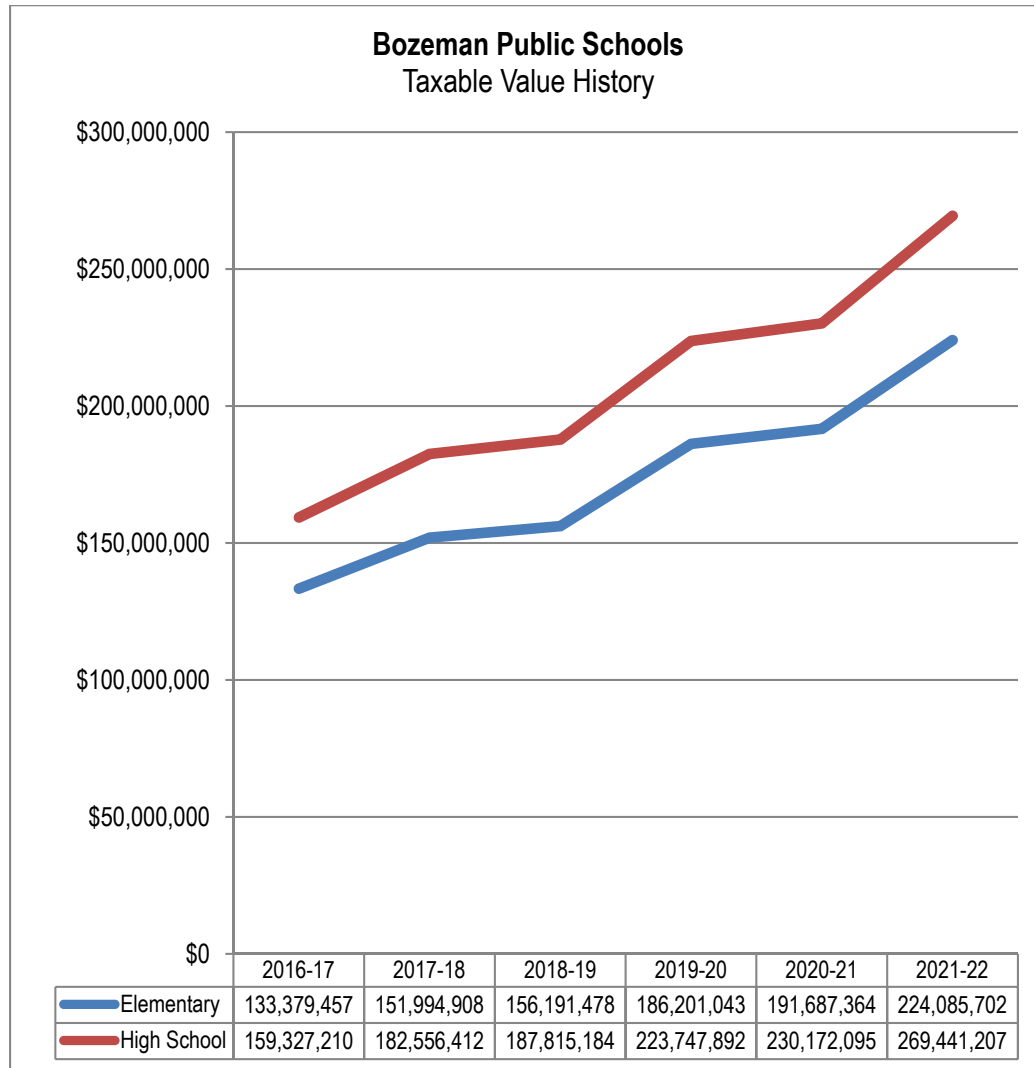
The remaining changes were due to minor fluctuations in the Districts' bond amortization tables.

- Adult Ed Fund, \$144,885 tax increase. As noted above, the cost of the new Early Childhood Literacy Initiative will be funded using Adult Ed proceeds. The financial implications of this initiative are relatively small—one certified FTE, plus a small operating budget—but the District is hopeful the investment will produce great gains in future student achievement.
- Transportation Funds: \$211,001 tax increase. The Transportation Fund tax increase occurred in the Elementary District. There, the loss of non-levy revenue (COVID funding)—which provided a one-year tax relief on 2020-21—and a mid-contract rate increase combined to cause the local levy in that Fund to return to more historic levels.
- Technology Funds: \$97,195 tax increase. In 2013, Bozeman Elementary voters approved a 3.00 mill levy for the Technology Fund. As the District's taxable value increases, that voted levy generates additional funds for the District. The High School District also has a voter-approved levy in the Technology Fund, but that levy is fixed at \$200,000 per year.

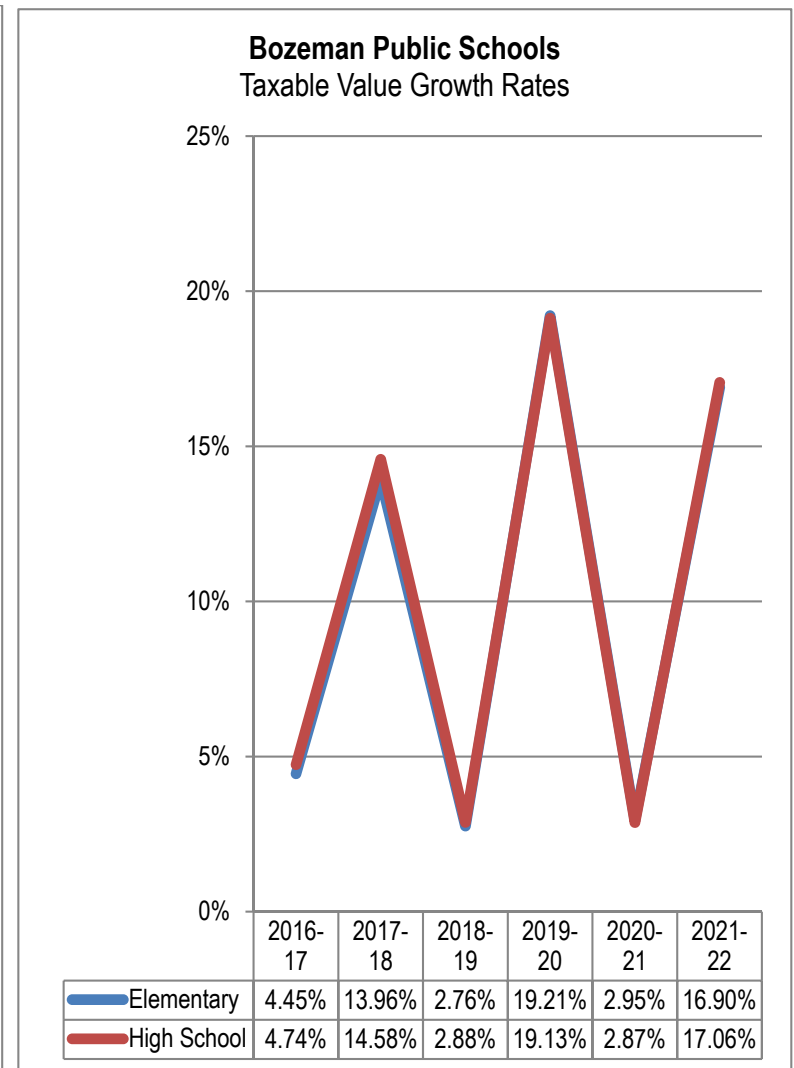
State law requires Montana schools to provide notice in March each year of any anticipated increases to certain permissive (i.e., nonvoted) levies in the ensuing year. The estimates are nonbinding. However, levies required to be covered by this notice constitute a small percentage of the District's actual levies (7% of the 2021-22 levied mills). Additionally, taxpayers may not understand the difference between voted and permissive levies, or know that the presented levies are not a complete picture of the District's taxes. To reduce confusion and improve transparency, the District includes all of its levies in the notice.

The 2021-22 notice was posted in the Bozeman Chronicle on March 8, 2021 and is included as Appendix 2 in this budget document.

Fortunately, the Bozeman School District benefits from a strong tax base to support the School District's revenue requirements. This growing tax base helps to mitigate the tax impact on individual taxpayers. The Districts saw taxable values dip for the first time in over 15 years in 2016-17—the result from the Montana Department of Revenue's periodic revaluation and the 2008 recession. That decrease appears to have been an aberration. Based on continued strong growth in the community and the legislature's decision to leave tax rates unchanged, Bozeman's taxable values increased again in 2021-22 by 16.9% and 17.1% in the Elementary and High School Districts, respectively:



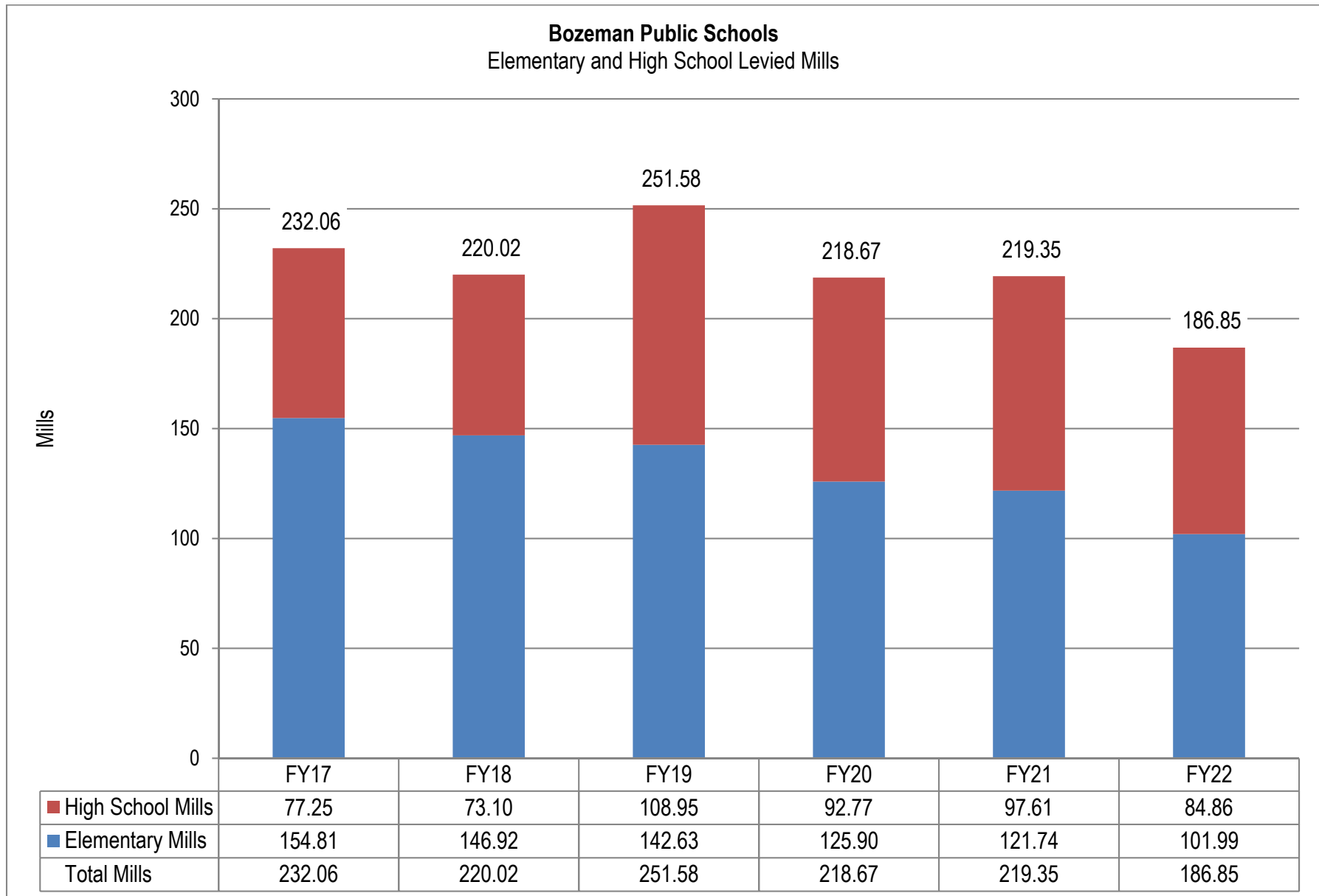
Source: Montana Department of Revenue



Source: District records

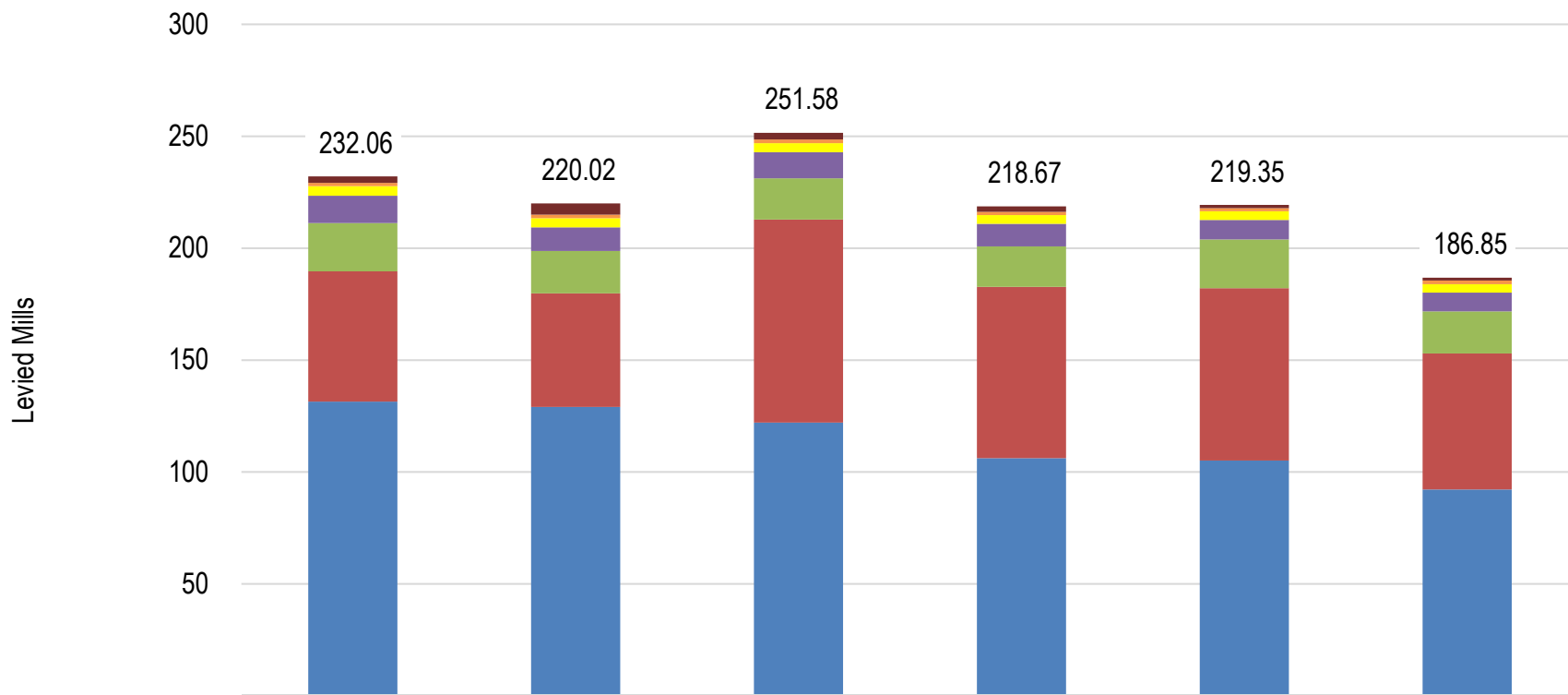
These changes represent the third consecutive biannual reappraisal cycle that has resulted in a double-digit growth rate for the Districts' taxable values.

As a result of the taxable value increase, levied mills in both the Elementary and High School Districts will decrease in 2021-22. This year, total K-12 levied mills will decrease from 219.35 mills in FY2021 to 186.85 mills in FY2022—a decrease of 32.50 mills (14.8%). Again, the graphs show the breakdown of these mills by District and then K-12 totals by fund:



Source: District records

Bozeman Public Schools
K-12 Levied Mills by Fund



	FY17	FY18	FY19	FY20	FY21	FY22
Flexibility	-	-	-	-	-	-
Tuition	2.88	5.04	3.02	2.44	1.46	1.25
Bus Depreciation	-	-	-	-	-	-
Adult Education	1.47	1.54	1.62	1.40	1.37	1.70
Technology	4.26	4.10	4.06	3.89	3.87	3.74
Transportation	12.18	10.60	11.64	10.10	8.73	8.41
Building Reserve	21.61	18.91	18.39	18.11	21.75	18.75
Debt Service	58.20	50.72	90.77	76.56	77.04	60.82
General	131.46	129.11	122.08	106.17	105.13	92.18
Total Levied Mills	232.06	220.02	251.58	218.67	219.35	186.85

Source: District records

Personnel Resource Changes

Montana's state accreditation standards provide the basic framework for the District's staffing model. As detailed above, the District anticipates 623 additional students to enroll in the District during 2021-22, and the District's staff will have to grow to accommodate commensurately. The following table summarized the FTE additions.

Employee Group	FY2020-21 Budgeted FTE	FY2021-22 Budgeted FTE	Change
Certified	522.5	528.2	5.7
Classified & Professional*	291.0	304.9	13.9
Administrative	28.0	28.0	-
Total	841.5	864.0	19.6

Source: District records

More details are available in the Informational Section of the document. Additional positions may be added when the school year begins and actual enrollment counts are known.

Debt Changes

The Bozeman School District has been quite active in the debt market over the last couple of years, and it appears that trend may continue into the foreseeable future. The District currently operates eight K-5 elementary buildings, and our latest projections indicate those buildings will reach capacity in 2024. In order to accommodate anticipated new growth, the District will discuss the timeline for Elementary 9 during the coming year. If enrollment continues to increase as projected, the Board could approach voters for bonds to build a new elementary as soon as May 2022. Administration estimates the approval, design, and construction processes for the contemplated school will take approximately three years.

OTHER INFORMATION

Awards

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

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

award and we are submitting it to ASBO to determine its eligibility for this certificate and designation. We will submit this document not only to seek ASOB's prestigious award, but also to benefit from the suggestions for improvement put forth by their review panel.

Acknowledgements

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

The District has a long history of excellence in public education and transparency and prudent stewardship of taxpayer finances. We remain committed to each of those values. To that end, please contact Lacy Clark at (406) 522-6045 or lacy.clark@bsd7.org or Mike Waterman at (406) 522-6097 or mike.waterman@bsd7.org if you have questions or need additional information.