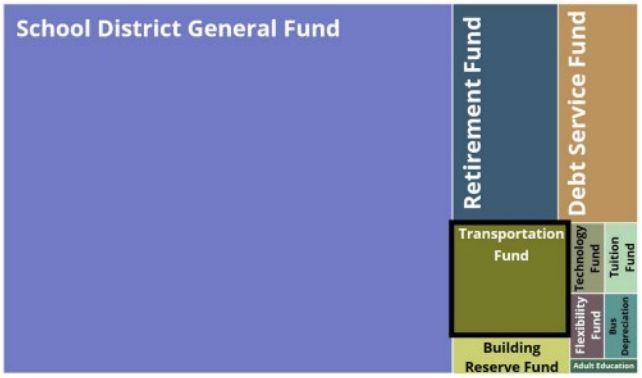
SCHOOL FUNDING BASICS: DISTRICT TRANSPORTATION FUND

SCHOOL FUNDING INTERIM COMMISSION
PAD MCCRACKEN – SPRING 2026

OVERVIEW AND PURPOSE

Purpose - for to/from school transportation costs (buses, fuel, drivers, contracted services, etc.); not for extracurricular activities or field trips.

The transportation fund is the fourth largest budgeted school district fund.



DISTRICT TRANSPORTATION FUND BASICS

Fun fact - on a typical school day, Montana school buses drive the equivalent of nearly four trips around the Earth! That's a lot of miles, buses, fuel, and drivers.

How is the district transportation fund funded?

1. State on-schedule reimbursement
2. County on-schedule reimbursement (often through a formulaic countywide property tax levy)
3. Non-levy revenues (if available; ex. oil and gas)
4. District property tax levies (permissive)

TRANSPORTATION FUND BUDGETING PROCESS

Budget process:

1. District determines routes and buses and costs (district or transportation contractor)
2. District reports routes and buses to OPI
3. OPI estimates "on-schedule" reimbursement (state and county) based on miles and bus capacity (see next section)
4. District determines amount of local permissive (non-voted) levy requirement to fund remainder (aka "over-schedule" costs)

Reserve limit - 20% of the ensuing year's budget (this provides a cushion in case costs unexpectedly soar; any fund balance above the 20% reserve limit is reappropriated to reduce the local levy requirement)

STATE AND COUNTY REIMBURSEMENT RATES (AKA "ON-SCHEDULE" RATES) AND BIG CHANGES IN THE 2025 SESSION

The rates for state and county reimbursement amounts for school buses are based on bus capacity and set in 20-10-141(2)(a), MCA, and had not meaningfully changed since 2004 until HB 483 (2025; Sprunger):

(i) 50 cents [now 83 cents] for a school bus as defined in 20-10-101(5)(a)(ii)[basically a van or SUV];

(ii) 95 cents [now $1.57] for a school bus with a rated capacity of not more than 49 passenger seating positions;

(iii) $1.15 [now $1.90] for a school bus with a rated capacity of 50 to 59 passenger seating positions;

(iv) $1.36 [now $2.24] for a school bus with a rated capacity of 60 to 69 passenger seating positions;

(v) $1.57 [now $2.59] for a school bus with a rated capacity of 70 to 79 passenger seating positions; and

(vi) $1.80 [now $2.97] for a school bus with 80 or more passenger seating positions.

Prior to HB 483, these on-schedule reimbursements were then split 50-50 between the state and the county. Over-schedule costs then fall to the district and largely to district property taxpayers. This is why most Montanan's property tax bills include levies for both countywide transportation levies as well as for district transportation levies. Now, due to HB 483, the state-county split is 75-25. This change and the rate increase should lower countywide transportation property taxes and school district over-schedule costs and levies beginning in FY 2026. The previously stagnant reimbursement rates and cost increases had resulted in district property taxes increasing from about $45 million in FY 2012 to $90 million in FY 2025.

Transportation fund revenue FY 1991 to 2026 (visual from LFD School Funding Tool with an added estimate for FY 2026)

