_____ BILL NO. _____

INTRODUCED BY _____

BY REQUEST OF THE SCHOOL FUNDING INTERIM COMMISSION

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING SCHOOL FUNDING LAWS TO MODIFY THE INFLATIONARY ADJUSTMENT; REMOVING THE 3% CAP ON THE INFLATIONARY ADJUSTMENT USED TO DETERMINE PRESENT LAW BASE; REVISING THE METRIC USED TO CALCULATE THE INFLATIONARY ADJUSTMENT; PROVIDING THAT SCHOOL FUNDING ENTITLEMENT AMOUNTS ARE RECALCULATED IN THE SECOND YEAR OF THE BIENNIUM TO REFLECT MORE CURRENT INFLATIONARY CHANGES; MODIFYING REPORTING REQUIREMENTS; PROVIDING A DEFINITION; AMENDING SECTIONS 17-1-405, 20-9-306, 20-9-326, AND 20-15-310, MCA; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-1-405, MCA, is amended to read:

"**17-1-405. Volatile revenue -- transfer to Montana growth and opportunity trust.** (1) Except as provided in subsection (6), in the fiscal year beginning July 1, 2027, and in each subsequent fiscal year until June 30, 2035, by November 1, the state treasurer shall calculate the amount of volatile revenue from the general fund for that fiscal year. The state treasurer shall transfer 17.5% of the amount of volatile revenue by November 1 and 17.5% of the amount of volatile revenue by May 1 to the Montana growth and opportunity trust established in 17-1-401.

(2) Except as provided in subsection (6), starting in the fiscal year beginning July 1, 2035, the state treasurer shall transfer 10% of the amount of volatile revenue by November 1 and 10% of the amount of volatile revenue by May 1 to the Montana growth and opportunity trust established in 17-1-401.

(3) The amount of volatile revenue is an amount equal to:

(a) the sum of capital gains volatile revenue and partnership volatile revenue; and

(b) a portion of interest earnings from the treasury cash account in 17-6-202 as defined pursuant

to subsection (4).

(4) The amount of interest earnings from the treasury cash account in 17-6-202 defined as volatile revenue pursuant to subsection (3) is the difference between:

(a) the estimate of interest earnings on the treasury cash account in 17-6-202 as provided in the most recent official revenue estimate provided for in 5-5-227; and

(b) the lowest actual amount of interest earnings on the treasury cash account in 17-6-202 within the most recent 7 years of available data as certified to the legislative fiscal analyst and the budget director by the department of administration and adjusted for inflation pursuant to subsection (7).

(5) For the purposes of this section, the following calculations apply:

(a) "Capital gains increment" is the difference between:

(i) the current calendar year's capital gains estimate as described in the most recent official revenue estimate provided for in 5-5-227; and

(ii) the lowest reported capital gains income from any year within the most recent 7 years of available data, as published in the department of revenue's biennial report provided for in 15-1-205 and adjusted for inflation pursuant to subsection (7).

(b) "Capital gains volatile revenue" is calculated by multiplying the capital gains increment by the rate established in 15-30-2103(2)(a)(ii).

(c) "Partnership increment" is the difference between:

(i) the current calendar year's rents, royalty, and partnership estimate as described in the most recent official revenue estimate provided for in 5-5-227; and

(ii) the lowest reported rents, royalty, and partnership income from any year within the most recent 7 years of available data, as published in the department of revenue's biennial report provided for in 15-1-205 and adjusted for inflation pursuant to subsection (7).

(d) "Partnership volatile revenue" is calculated by multiplying the partnership increment by the rate established in 15-30-2103(1)(a)(ii).

(6) (a) By August 1 of each year, the department of administration shall certify to the legislative fiscal analyst and the budget director the unaudited, unassigned ending fund balances for the most recently completed fiscal year of:

(i) the general fund; and

(ii) the budget stabilization reserve fund provided for in 17-7-130.

(b) If the sum of the ending fund balances for the general fund and budget stabilization reserve fund equal an amount less than 20% of all general revenue appropriations in the second year of the biennium, then the amount of the transfers in subsection (1) is reduced by 50% for the fiscal year.

(7) For the purpose of adjusting for inflation, inflation is based on the consumer price index, ~~as defined in 20-9-326, and~~ U.S. city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor for the most recently completed calendar year."

Section 2. Section 20-9-306, MCA, is amended to read:

"**20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise and subject to adjustment under 20-9-326(3), the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;

(b) the total quality educator and qualified staff payment;

(c) the total at-risk student payment;

(d) the total Indian education for all payment;

(e) the total American Indian achievement gap payment;

(f) the total data-for-achievement payment;

(g) the total future ready payment; and

(h) the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes:

(a) subject to adjustment under 20-9-336, 80% of the basic entitlement and 80% of the total per-ANB entitlement;

(b) 100% of the following payments:

(i) the total quality educator and qualified staff payment;

(ii) the total at-risk student payment;

(iii) the total Indian education for all payment;

(iv) the total American Indian achievement gap payment;

(v) the total data-for-achievement payment; and

(vi) the total future ready payment; and

(c) 140% of the special education allowable cost payment.

(4) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the general fund BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(5) "BASE funding revenue requirement" means the amount calculated in support of the BASE budget of a district, which is funded by the countywide levy for BASE funding support under 20-9-362 and may be supplemented by guaranteed tax base aid if the county is eligible under the provisions of 20-9-366 through 20-9-369.

(6) "Basic entitlement" means:

(a) for each high school district:

(i) $364,401 for fiscal year 2026 and $375,333 for each succeeding fiscal year for school districts with an ANB of 800 or fewer; and

(ii) $364,401 for fiscal year 2026 and $375,333 for each succeeding fiscal year for school districts with an ANB of more than 800, plus $18,221 for fiscal year 2026 and $18,768 for each succeeding fiscal year for each additional 80 ANB over 800;

(b) for each elementary school district or K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) $60,732 for fiscal year 2026 and $62,554 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(ii) $60,732 for fiscal year 2026 and $62,554 for each succeeding fiscal year for school districts or

K-12 district elementary programs with an ANB of more than 250, plus $3,037 for fiscal year 2026 and $3,128 for each succeeding fiscal year for each additional 25 ANB over 250;

(c) for each elementary school district or K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) for the district's kindergarten through grade 6 elementary program:

(A) $60,732 for fiscal year 2026 and $62,554 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(B) $60,732 for fiscal year 2026 and $62,554 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250, plus $3,037 for fiscal year 2026 and $3,128 for each succeeding fiscal year for each additional 25 ANB over 250; and

(ii) for the district's approved and accredited junior high school, 7th and 8th grade programs, or middle school:

(A) $121,466 for fiscal year 2026 and $125,110 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of 450 or fewer; and

(B) $121,466 for fiscal year 2026 and $125,110 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of more than 450, plus $6,073 for fiscal year 2026 and $6,255 for each succeeding fiscal year for each additional 45 ANB over 450.

(7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to 20-9-311.

(8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(9) (a) "Maximum general fund budget" means, except as provided in subsection (9)(b), a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator and qualified staff payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, the total data-for-achievement payment, the total future ready payment, and the greater of the district's special education allowable cost payment multiplied by:

(i) 175%; or

(ii) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a maximum allowable ratio of 200%.

(b) (i) For a district that meets the legislative goal for base teacher pay under 20-9-324 and has territory within a county in which the median market value for residential properties is greater than 105% of the median county market value for residential properties in the state, the maximum general fund budget is calculated by multiplying the amount calculated in subsection (9)(a) by the percentage by which the county median market value exceeds the median county market value for residential properties in the state divided by 60 and rounded to the nearest hundredth of a percent.

(ii) The department of revenue shall calculate the median market values in subsection (9)(b)(i), excluding properties with a market value of $50,000 or less, in odd-numbered calendar years and report this information to the office of public instruction no later than December 1. The values reported must apply to the calculations in subsection (9)(b)(i) and the maximum general fund budgets of districts calculated under this subsection (9) in the 2 school fiscal years beginning the following July 1.

(iii) A district adopting a higher general fund budget under this subsection (9)(b) shall expend the additional budget authority under this subsection (9)(b) on:

(A) housing stipends for employees;

(B) construction or purchase of district-owned housing provided for employees;

(C) rental assistance, including subsidies or discounts on rents on housing for employees;

(D) down-payment assistance, including district provided funds to assist employees with the initial down payment on a primary residence;

(E) shared ownership of housing by the district and employee with an option for the employee to buy out the district's interest over time;

(F) district guaranteed or subsidized housing loans, including payment of discount points on housing loans secured by an employee;

(G) relocation assistance; or

(H) any other financial assistance to employees authorized by the Internal Revenue Code, the purpose of which is to improve employee access to affordable housing.

(10) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and within the general fund budget limits established in 20-9-308 and calculated as provided in 20-9-141.

(11) "State's share" means the state funding distributed to school districts in an equitable manner by the state to support the basic elementary and secondary school system as provided in Article X, section 1(3), of the Montana constitution, including:

(a) BASE aid for the school district general fund;

(b) retirement guaranteed tax base aid to the counties to support the countywide school retirement funds that is then distributed to school districts to support employer contributions to the retirement systems;

(c) major maintenance aid for the school district building reserve fund;

(d) transportation reimbursements for the school district transportation fund;

(e) debt service assistance for the school district debt service fund;

(f) technology funding for the school district technology acquisition and depreciation fund;

(g) career and technical education funding for the school district miscellaneous programs fund;

(h) advanced opportunity aid for the school district flexibility fund to help develop the full educational potential of each student;

(i) gifted and talented funding for the school district miscellaneous programs fund; and

(j) any other state funding provided by the legislature to support the basic elementary and secondary school system.

(12) "Total American Indian achievement gap payment" means the payment resulting from multiplying $249 for fiscal year 2026 and $256 for each succeeding fiscal year times the number of American Indian students enrolled in the district as provided in 20-9-330.

(13) "Total at-risk student payment" means the payment resulting from the distribution of any funds appropriated for the purposes of 20-9-328.

(14) "Total data-for-achievement payment" means the payment provided in 20-9-325 resulting from multiplying $24.29 for fiscal year 2026 and $25.02 for each succeeding fiscal year by the district's ANB calculated in accordance with 20-9-311.

(15) "Total future ready payment" means the payment provided in 20-9-381 resulting from adding:

(a) (i) for a high school district or K-12 school district, the product of 10% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 1 goal as provided in 20-9-381; and

(ii) for an elementary school district or K-12 school district, the product of 10% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(a)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

(b) (i) for a high school district or K-12 school district, the product of 20% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 2 goal as provided in 20-9-381; and

(ii) for an elementary school district or K-12 school district, the product of 20% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(b)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

(c) (i) for a high school district or K-12 school district, the product of 30% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 3 goal as provided in 20-9-381; and

(ii) for an elementary school district or K-12 school district, the product of 30% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(c)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

(16) "Total Indian education for all payment" means the payment resulting from multiplying $25.37 for fiscal year 2026 and $26.13 for each succeeding fiscal year times the ANB of the district or $100 for each district, whichever is greater, as provided for in 20-9-329.

(17) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

(a) for a high school district or a K-12 district high school program, a maximum rate of $8,317 for fiscal year 2026 and $8,567 for each succeeding fiscal year for the first ANB, decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and

accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of $6,496 for fiscal year 2026 and $6,691 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

(i) a maximum rate of $6,496 for fiscal year 2026 and $6,691 for each succeeding fiscal year for the first ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of $8,317 for fiscal year 2026 and $8,567 for each succeeding fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB.

(18) (a) "Total quality educator and qualified staff payment" means the payment resulting from multiplying $3,783 for fiscal year 2026 and $3,896 for each succeeding fiscal year by the number of full-time equivalent quality educators and qualified staff as provided in 20-9-327, or as provided in 20-9-324, for an educational entity meeting the legislative goal for competitive base pay of teachers, by two times the number of full-time equivalent quality educators and qualified staff as provided in 20-9-327.

(b) If an educational entity qualifies for enhanced quality educator and qualified staff payments under 20-9-324 in a fiscal year, the entity retains that qualification in subsequent years unless the district fails to qualify for 2 consecutive years. After 2 consecutive years of failure to qualify, an educational entity must reestablish eligibility before the enhanced quality educator and qualified staff payments under 20-9-324 resume for the educational entity.

(c) For a school district qualifying for the shared resource incentive under 20-9-383, the district must receive additions to the total quality educator and qualified staff payment as described in 20-9-383.

(d) The total quality educator and qualified staff payment for a district meeting the legislative goal for countywide resource sharing under 20-3-363 must have its total quality educator and qualified staff payment

under subsection (18)(a) of this section increased by 50% as described in 20-3-363.

(19) "Total special education allocation" means the state payment distributed pursuant to 20-9-321 that is the greater of the amount resulting from multiplying $311.63 for fiscal year 2026 and $320.98 for each succeeding fiscal year by the statewide current year ANB or the amount of the previous year's total special education allocation."

Section 3. Section 20-9-326, MCA, is amended to read:

"**20-9-326. Annual inflation-related adjustments to ~~basic entitlements and per-ANB entitlements~~ components of school district general fund formula -- reporting.** (1) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of public instruction shall determine the ~~inflation factor~~ inflationary adjustment for the basic and per-ANB entitlements, the data-for-achievement payment, the per-ANB amount used to calculate the total special education allocation in 20-9-306, and the general fund payments in 20-9-327 through 20-9-330 in each fiscal year of the ensuing biennium. ~~The inflation factor is calculated as follows:~~

~~(a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the resulting ratio to the power of one-third; and~~

~~(b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and raise the resulting ratio to the power of one-third.~~

(2) (a) The present law base for the entitlements referenced in subsection (1) of this section, calculated under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the ~~inflation factor calculated pursuant to this section, not to exceed 3% in each year,~~ inflationary adjustment applied to both years of the biennium.

(b) This subsection (2) does not limit the superintendent or the governor from recommending, or limit the legislature from adopting, inflationary adjustments other than those calculated in this section.

(3) (a) No later than October 1 of each odd-numbered calendar year, the superintendent shall:

(i) determine the inflationary adjustment for the next school fiscal year;

(ii) recalculate the entitlement amounts listed in subsection (1) for the next school fiscal year by the inflationary adjustment as determined under subsection (5); and

(iii) publish the results of subsections (3)(a)(i) and (3)(a)(ii) to the office of public instruction website and provide the same in written form to the education interim budget committee, the legislative finance committee, and the office of budget and program planning.

(b) The adjusted entitlement amounts under subsection (3)(a)(ii) must be used in determining school district budgets for the next school fiscal year.

(c) If the adjustments under this section result in the money for BASE aid being insufficient, the superintendent of public instruction shall address the shortfall in the manner prescribed in 20-9-351.

~~(3)~~ (4) Beginning in fiscal year 2026 and then ~~every even-numbered~~ each fiscal year ~~thereafter~~ afterward, the superintendent of public instruction shall provide a report no later than September 1 to the education interim budget committee and the education interim committee and no later than December 31 to the legislative finance committee, in accordance with 5-11-210, regarding the educational relevance in the implementation of this section. The report must include:

(a) the increase in funding over the prior year on a per-ANB basis for the BASE aid elements represented in [20-9-306(2)(a), (2)(c) through (2)(g), and (2)(i)] budgeted to be provided to school districts in the current fiscal year and provided to school districts in the preceding 5 fiscal years, which must be reported in both dollar and percentage amounts, with the six percentages rounded to the nearest one hundredth;

(b) the ~~percentage change from July of the preceding year to July of the applicable year in the consumer price index~~ inflationary adjustment for the current year and the preceding 5 years, with the six percentages rounded to the nearest one hundredth; and

(c) a cumulative numerical comparison of the difference between the percentages reported in subsections ~~(3)(a)~~ (4)(a) and ~~(3)(b)~~ (4)(b), rounded to the nearest one hundredth.

~~(4)~~ (5) For the purposes of this section, ~~"consumer price index" means the consumer price index, U.S. city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S. department of labor~~ "inflationary adjustment" means a composite annual percent change calculated based on the following data from the most recent year available using:

(a) a weight of 75% of the June 12-month percent change in the employment cost index, total

compensation, all civilian workers, not seasonally adjusted, as published by the bureau of labor statistics of the U.S. department of labor; and

(b) a weight of 25% of the July 12-month percent change in the consumer price index, U.S. city average, all urban consumers, for all items, as published by the bureau of labor statistics of the U.S. department of labor."

Section 4. Section 20-15-310, MCA, is amended to read:

"**20-15-310. Appropriation -- definitions.** (1) As used in 20-15-328 and this section, the following definitions apply:

(a) "Adjusted base" means the state appropriation to a community college in the base year:

(i) (A) plus the payment made to the community college for the base year pursuant to 20-15-328(3)(a); or

(B) minus the FTE increase funding factor divided by the FTE decrease funding factor times the payment made to the state for the base year pursuant to 20-15-328(3)(b); and

(C) minus any one-time-only legislative appropriations and appropriations for auditing purposes.

(ii) The amount calculated in subsection (1)(a)(i) is then multiplied by the inflationary factor for the second year of the current biennium.

(b) "Base year" means the first year of the current biennium.

(c) "Concurrent enrollment" means the form of dual enrollment through which a high school student receives instruction in a community college course from a high school instructor.

(d) "Consumer price index" means the consumer price index, U.S. city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S. department of labor.

~~(d)~~ (e) "CTE FTE" means the FTE derived from students in courses determined by the commissioner of higher education to be career and technical education, based on national standard course classifications. For the purposes of the community college funding formula, FTE generated from a dual enrollment CTE course must be included in the calculation of CTE FTE and not in the concurrent enrollment or early college FTE categories.

~~(e)~~ (f) "Dual enrollment" means the circumstance in which a high school student is enrolled in both the student's high school and in a community college.

~~(f)~~ (g) "Early college" means the form of dual enrollment through which a high school student receives instruction in a community college course from a faculty member of the community college.

~~(g)~~ (h) "FTE" or "full-time equivalent" means the total number of undergraduate resident student credit hours in an academic year divided by 30.

~~(h)~~ (i) "FTE categories" means CTE FTE, general education FTE, the FTE derived from concurrent enrollment, and the FTE derived from early college. For the purposes of the community college funding formula, FTE generated from a dual enrollment CTE course must be included in the calculation of CTE FTE and not in the concurrent enrollment or early college FTE categories.

~~(i)~~ (j) "FTE decrease funding factor" means a dollar figure for each year of the ensuing biennium that is determined by the legislature and must be specified in the appropriations act appropriating funds to the community colleges for each biennium.

~~(j)~~ (k) "FTE increase funding factor" means a dollar figure for each year of the ensuing biennium that is determined by the legislature and must be specified in the appropriations act appropriating funds to the community colleges for each biennium.

~~(k)~~ (l) "FTE weighting factor" means a multiplier that is applied to changes in resident FTE in each of the FTE categories and that is determined by the legislature and must be specified in the appropriations act appropriating funds to the community colleges for each biennium.

~~(l)~~ (m) "General education FTE" means the FTE derived from nondual enrollment students in courses determined by the commissioner of higher education to not be career and technical education, based on national standard course classifications.

~~(m)~~ (n) "Inflationary factor" means, ~~the percentage calculated pursuant to 20-9-326, not to exceed 3% and~~ subject to final determination by the legislature as specified in the appropriations act appropriating funds to the community colleges for each biennium, the following calculations:

(i) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the resulting ratio to the power of one-third, not to exceed 1.03; and

(ii) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and raise the resulting ratio to the power of one-third, not to exceed 1.03.

~~(n)~~ (o) "Weighted FTE" means, for each FTE category, the FTE in that FTE category multiplied by the corresponding FTE weighting factor.

(2) It is the intent of the legislature that all community college spending, other than from restricted funds, designated funds, or funds generated by an optional, voted levy, be governed by the provisions of this part and the state general appropriations act.

(3) The state general fund appropriation for each community college must be determined as follows:

(a) For the first year of the next biennium, multiply the adjusted base by the inflationary factor for the first year of the next biennium, and to this number for each FTE category add the result of multiplying:

(i) any change in the projected weighted FTE changes for the first year of the next biennium from the actual weighted FTE in the base year; and

(ii) the FTE decrease funding factor or the FTE increase funding factor as appropriate for the first year of the next biennium.

(b) For the second year of the next biennium, multiply the adjusted base by the inflationary factor for the first year of the next biennium, multiply this result by the inflationary factor for the second year of the next biennium, and to this number for each FTE category add the result of multiplying:

(i) any change in the projected weighted FTE changes for the second year of the next biennium from the actual weighted FTE in the base year; and

(ii) the FTE decrease funding factor or the FTE increase funding factor as appropriate for the second year of the next biennium."

NEW SECTION. **Section 5. Applicability.** [This act] applies to:

(1) the state budgeting process for state budgets for bienniums beginning on or after July 1, 2029; and

(2) school budgets and distributions of BASE aid for fiscal years beginning on or after July 1, 2029.

1 - END -