



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0015 - Implement K-12 Inflation (Bedey, David)	
Status:	As Introduced

- | | | |
|----------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$15,984,474	\$69,575,164	\$101,433,383	\$131,442,125
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$15,984,474)</u>	<u>(\$69,575,164)</u>	<u>(\$101,433,383)</u>	<u>(\$131,442,125)</u>

Description of fiscal impact: HB 15 applies statutory language 20-9-236, MCA, for the inflationary increase of 2.70% in FY 2024 and 3.00% in FY 2025 to K-12 BASE aid funding. The state general fund cost for the FY 2025 biennium would be \$85.6 million.

FISCAL ANALYSIS

Assumptions:

- The average number belonging (ANB) used to determine the general fund budgets for K-12 public schools will be as follows. These estimates are for current year ANB, which is used to calculate the budgeted ANB as determined by 20-9-311(13) and (14).

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
K-6 ANB	83,565	84,417	85,144	85,785	86,208
7-8 ANB	24,441	24,430	24,750	24,888	25,256
9-12 ANB	<u>45,905</u>	<u>46,573</u>	<u>46,532</u>	<u>46,539</u>	<u>46,287</u>
Total	153,911	155,420	156,426	157,212	157,751

2. The number of FTE (including special education cooperatives) generating the quality educator payment is estimated to be:

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
School District FTE	13,365.497	13,365.497	13,365.497	13,365.497	13,365.497
Special Ed Coop FTE	165.709	165.709	165.709	165.709	165.709
Total FTE	13,531.206	13,531.206	13,531.206	13,531.206	13,531.206

3. The present law inflation applied to the Basic and Per-ANB Entitlements, the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data-for-Achievement, At Risk, and the Special Education Allowable Cost Payment components (20-9-326, MCA) is 2.70% in FY 2024 and 3.00% in FY 2025. For the present law budget, entitlements and components are set as follows:

<u>Basic Entitlements</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Basic	\$55,741	\$57,246	\$58,963	\$60,732	\$62,050
Middle School Basic	\$111,483	\$114,493	\$117,928	\$121,466	\$124,102
High School Basic	\$334,453	\$343,483	\$353,787	\$364,401	\$372,309

<u>Basic Entitlement Increments</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary (each 25 ANB > 250 ANB)	\$2,788	\$2,863	\$2,949	\$3,037	\$3,103
Middle School (each 45 ANB > 450 ANB)	\$5,574	\$5,724	\$5,896	\$6,073	\$6,205
High School (each 80 ANB past 800 ANB)	\$16,723	\$17,175	\$17,690	\$18,221	\$18,616

<u>Per ANB Entitlements</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Per-ANB	\$5,962	\$6,123	\$6,307	\$6,496	\$6,637
High School Per-ANB	\$7,634	\$7,840	\$8,075	\$8,317	\$8,497
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

<u>Components</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Indian Education for All	\$23.28	\$23.91	\$24.63	\$25.37	\$25.92
Indian Achievement Gap	\$229	\$235	\$242	\$249	\$254
Quality Educator	\$3,472	\$3,566	\$3,673	\$3,783	\$3,865
At Risk	\$5,873,777	\$6,032,369	\$6,213,340	\$6,399,740	\$6,538,614
Data for Achievement	\$22.29	\$22.89	\$23.58	\$24.29	\$24.82
Special Education Allowable Cost	\$286.02	\$293.74	\$302.55	\$311.63	\$318.39

4. Present law (20-9-326, MCA) requires the Superintendent of Public Instruction to include inflationary adjustments for the basic and per-ANB entitlements, and the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, At-Risk and Special Education Allowable Cost components in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

<u>Payment</u>	<u>FY 2024</u>	<u>FY 2025</u>
Direct State Aid	\$522.8 million	\$540.5 million
Guaranteed Tax Base Aid	\$259.9 million	\$290.3 million
County Retirement GTB	\$50.9 million	\$52.9 million
Indian Education for All	\$3.7 million	\$3.9 million

American Indian Achievement Gap	\$4.9 million	\$5.0 million
Quality Educator	\$48.3 million	\$49.7 million
Data for Achievement	\$3.6 million	\$3.7 million
Special Education Allowable Cost	\$45.7 million	\$47.3 million

5. The Natural Resources Development payment is estimated to be \$12.1 million in FY 2024 and \$12.1 million in FY 2025, if all school districts levied to receive the maximum amount of funding. Section 20-9-635, MCA, provides that the appropriation for FY 2024 and beyond be the greater of \$10 million, adjusted for inflation in accordance with section 20-9-326, MCA, or 5% of the oil and natural gas production taxes deposited in the state general fund pursuant to 15-36-331(4), MCA. Additionally, state special revenue is appropriated from the school major maintenance account, established in 20-9-525, MCA. Estimated authority is \$10.3 million general fund and \$5.1 million state special revenue in FY 2024 and \$10.6 million general fund and \$6.5 million state special revenue in FY 2025.
6. Direct State Aid, GTB, and other school district general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division, and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates, and estimated property tax values.
7. The At-Risk Student payment inflation increase of \$158,592 in FY 2024 and \$339,563 in FY 2025 will be appropriated in HB 2.
8. The statewide present law taxable valuations are forecast to increase by 19.55% in FY 2024 and 1.74% in FY 2025.
9. BASE aid components included in the inflationary adjustments: basic and per ANB entitlements, quality educator, Indian education for all, American Indian achievement gap, data for achievement, at-risk, and special ed allowable cost payment.
10. This bill does not appropriate funds, it only defines the legislative intent to appropriate. This funding is included in the Executive Budget.
11. HB 15 includes inflationary increases to the quality educator payments define in 20-9-327, MCA. That statute includes quality educators at the Montana School for the Deaf and Blind (MSDB), Pine Hills Correctional Facility, and Montana Youth Challenge Program within the Department of Military Affairs. The following table shows the increased funding that would be directed to the base budget for each of these agencies to fund the quality educator payment increases.

Present Law Quality Educator Payment	\$3,472	\$3,472	\$3,472	\$3,472
Proposed Quality Educator Payment	\$3,566	\$3,673	\$3,783	\$3,865
Adjusted Amount	\$94	\$201	\$311	\$393

	FTE	FY 2024	FY 2025	FY 2026	FY 2027
MSDB	25.40	\$2,388	\$5,105	\$7,899	\$9,982
Corrections	11.00	\$1,034	\$2,211	\$3,421	\$4,323
Military Affairs	5.00	\$470	\$1,005	\$1,555	\$1,965

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services (MSDB)	\$2,388	\$5,105	\$7,899	\$9,982
Personal Services (Corrections)	\$1,034	\$2,211	\$3,421	\$4,323
Personal Services (Miliary Affairs)	\$470	\$1,005	\$1,555	\$1,965
Local Assistance (DSA)	\$13,160,889	\$30,854,903	\$49,933,060	\$64,302,122
Local Assistance (Special Ed)	\$950,191	\$2,623,806	\$4,289,096	\$5,523,461
Local Assistance (GTB)	(\$1,386,972)	\$28,978,781	\$36,076,222	\$47,376,517
Local Assist (Indian Ed for All)	\$83,784	\$211,729	\$349,601	\$452,725
Local Assist (Achievement Gap)	\$131,649	\$276,423	\$421,197	\$524,607
Local Assist (Quality Educator)	\$3,554,902	\$5,002,741	\$6,491,173	\$7,600,732
Local Assist (Data for Achievement)	\$79,790	\$202,310	\$334,558	\$433,840
Local Assist (Retirement)	(\$593,651)	\$1,416,149	\$3,525,601	\$5,211,850
TOTAL Expenditures	<u>\$15,984,474</u>	<u>\$69,575,164</u>	<u>\$101,433,383</u>	<u>\$131,442,125</u>

Funding of Expenditures:

General Fund (01)	<u>\$15,984,474</u>	<u>\$69,575,164</u>	<u>\$101,433,383</u>	<u>\$131,442,125</u>
TOTAL Funding of Exp.	<u>\$15,984,474</u>	<u>\$69,575,164</u>	<u>\$101,433,383</u>	<u>\$131,442,125</u>

Revenues:

General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$15,984,474)	(\$69,575,164)	(\$101,433,383)	(\$131,442,125)
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Effect on County or Other Local Revenues or Expenditures:

- The local property tax impact related to the inflationary increases to the school funding formula could be an increase of \$12.4 million for the biennium.


Sponsor's Initials

1/14/2023
Date


Budget Director's Initials

1-2-23
Date