

HOUSE BILL NO. 266

INTRODUCED BY L. MUSZKIEWICZ, J. ISALY, P. STRAND, P. ELVERUM, M. ROMANO, M. THANE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE ANNUAL INFLATION-RELATED ADJUSTMENTS TO K-12 BASE AID TO IMPROVE ALIGNMENT WITH THE DEFINITION OF "BASIC SYSTEM OF FREE QUALITY PUBLIC ELEMENTARY AND SECONDARY SCHOOLS" PROVIDED IN SECTION 20-9-309, MCA; ENSURING THAT THE GENERAL FUND FUNDING FORMULA IS SELF-EXECUTING AND INCLUDES A MECHANISM FOR ACCURATE ANNUAL INFLATIONARY ADJUSTMENTS; ESTABLISHING REPORTING REQUIREMENTS; AMENDING SECTION 20-9-326, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 20-9-326, MCA, is amended to read:

"20-9-326. Annual inflation-related adjustments to basic entitlements and per-ANB entitlements

-- 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 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, applied to both years of the

1 biennium plus, in the second year of the applicable bienniums, the inflation reconciliation factor calculated
2 under subsection (3) of this section.

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

5 (3) Beginning in fiscal year 2026 and then every fourth fiscal year thereafter, the superintendent of
6 public instruction shall provide a report no later than September 1 to the education interim budget committee
7 and the education interim committee in accordance with 5-11-210 regarding the educational relevance in the
8 implementation of this section. The report must include:

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

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

16 (c) a cumulative numerical comparison of the difference between the percentages reported in
17 subsections (3)(a) and (3)(b), rounded to the nearest one hundredth. If the sum of the percentages reported in
18 subsection (3)(a) is less than the sum of the percentages reported in subsection (3)(b), the difference is the
19 inflation reconciliation factor that must be incorporated in the next calculation of present law base for the
20 entitlements measured in subsection (3)(a) for the second year of the biennium to which the present law
21 applies.

22 (3)(4) For the purposes of this section, "consumer price index" means the consumer price index, U.S.
23 city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of
24 labor statistics of the U.S. department of labor."

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26 NEW SECTION. Section 2. Effective date. [This act] is effective July 1, 2025.

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