

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; PROVIDING THAT THE PRESENT LAW BASE MAY BE INCREASED BY A CALCULATED AMOUNT BY MOTION OF TWO SPECIFIC INTERIM COMMITTEES; 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,

1 calculated under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the
2 inflation factor calculated pursuant to this section, not to exceed 3% in each year, applied to both years of the
3 biennium ~~plus, in the second year of the applicable bienniums~~ AND CONTINGENT ON MOTION OF THE TWO INTERIM
4 COMMITTEES LISTED IN SUBSECTION (3) OF THIS SECTION, ~~the inflation reconciliation factor~~ AMOUNT calculated
5 under subsection (3) of this section THAT MAY BE INCLUDED IN THE PRESENT LAW BASE.

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

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

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

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

19 (c) ~~a cumulative numerical comparison of the difference between the percentages reported in~~
20 ~~subsections (3)(a) and (3)(b), rounded to the nearest one hundredth. If the sum of the percentages reported in~~
21 ~~subsection (3)(a) is less than the sum of the percentages reported in subsection (3)(b), the difference is the~~
22 ~~inflation reconciliation factor that must~~ MAY be incorporated in the next calculation of present law base for the
23 ~~entitlements measured in subsection (3)(a) for the second year of the biennium to which the present law applies~~
24 ~~IF INCLUSION OF THE AMOUNT IN THE PRESENT LAW BASE IS ADOPTED BY MOTION OF BOTH INTERIM COMMITTEES~~
25 ~~PRESENTED WITH THE CALCULATION THROUGH THE PROCESS OUTLINED IN SUBSECTION (2).~~

26 (3)(4) For the purposes of this section, "consumer price index" means the consumer price index, U.S.
27 city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of
28 labor statistics of the U.S. department of labor."

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

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