SENATE EDUCATION
EXHIBIT NO. 8
DATE 2-9-05
BILL NO. SB-177

FISCAL NOTE

DRAFT

Bill #: SB0177 **Title:** Revise ANB funding

Primary Sponsor: Ryan, D **Status:** As expected to be amended in committeee

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$33,244,618	$44,855,227
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	($33,244,618)	($44,855,227)

- ☒ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☐ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☐ Significant Long-Term Impacts
- ☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. SB 177 applies only to FY 2006 and FY 2007 public school funding.
2. The average number belonging (ANB) in K-12 public schools under present law and SB 177 would be as follows:

FY 2006

	Present Law	SB 177
K-6 ANB	71,263	73,112
7-8 ANB	24,958	25,274
9-12 ANB	49,363	49,820
Total ANB	145,584	148,206

FY 2007

	Present Law	SB 177
K-6 ANB	70,772	71,862
7-8 ANB	24,353	24,815
9-12 ANB	48,643	49,209
Total ANB	143,768	145,886

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3. SB 177 increases both the FY 2005 elementary per-ANB entitlement and the FY 2005 high school per-ANB entitlement by $250 for FY 2006. The basic and per-ANB entitlements will be set as follows:

	FY 2005	FY 2006	FY 2007
Basic entitlement EL	$19,859	$20,275	$20,718
Basic entitlement HS	$220,646	$225,273	$230,199
Per-ANB entitlement EL	$4,031	$4,366	$4,456
Per-ANB entitlement HS	$5,371	$5,534	$5,654
Direct State Aid Percentage	44.7%	44.7%	44.7%

4. SB 177 allows districts to use either the current year ANB or the 3-year ANB provided in 20-9-311. This fiscal note is based on "the current year ANB or the 3-year ANB provided in 20-9-311" whichever is highest.
5. The statewide taxable valuations will increase by 2.5 percent in FY 2006 and 2.8 percent in FY 2007.
6. Under current statute direct state aid will be $322.78 million in FY 2006 and $318.8 million in FY 2007. Special education payments will be $36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be $102.04 million in FY 2006 and $100.17 million in FY 2007.
7. SB 177 does not affect the state special education appropriation, which has been estimated at the FY 2005 amount.
8. Present law (MCA 20-9-326) requires the Governor to include inflation adjustments for the entitlements in the recommendations presented to the legislature. These present law entitlements result in the following expenditures: direct state aid will be $329.76 million in FY 2006 and $333.02 million in FY 2007. Special education payments remain at $36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be $104.62 million in FY 2006 and $105.40 million in FY 2007. County retirement costs will be $21.5 million in FY 2006 and $22.2 million in FY 2007.
9. SB ~~341~~ 177 new Section 1. Unified and joint board interdistrict school agreements would have no fiscal impact in FY 2006. This fiscal note was prepared assuming all unified districts would reduce any fund balance available for reappropriation by three percent of their prior year adopted budget (FY 2005 adopted budget used for this calculation) if available, by moving the money to the interdistrict fund allowed by SB 341. This reduces fund balance reappropriated by $4.7 million and increases Guaranteed Tax Base Aid by $2.0 million.
10. Under SB 177, direct state aid will be $344.76 million in FY 2006 and $347.18 million in FY 2007. Guaranteed tax base aid paid to schools will be $110.73 million in FY 2006 and $113.24 million in FY 2007. County retirement costs will be $21.99 million in FY 2006 and $22.72 million in FY 2007.

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Local Assistance – present law (MCA 20-9-326)	$ 9,556,366	$19,427,336
Local Assistance – unified district transfers		2,000,000
Local Assistance – new proposal	23,688,252	23,427,891
TOTAL	$33,244,618	$44,855,227

Funding of Expenditures:

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General Fund (01)	$33,244,618	$44,855,227

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

General Fund (01)	($33,244,618)	($44,855,227)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
School districts will respond to SB 177 in three ways. Many districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches.

- Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level.
- Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.
- Property taxes over the Maximum budgets will be reduced by this proposal.

TECHNICAL NOTES:
1. Difficulties in implementing SB 177 by July 1, 2005, may occur in several areas including: a.) the time frame will be short for programming budgeting tools that allow districts to budget to their best advantage; and b.) voting requirements for budget election deadlines may have to be legislatively adjusted.
2. Implementation to the Montana Automated Education Financial and Information Reporting System (MAEFAIRS) for a one-year program will be very time consuming.