



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0307
---------------	--------

Title:	Revise inflation-related adjustments to K-12 basic and per ANB entitlements
---------------	---

Primary Sponsor:	McClafferty, Edith (Edie)
-------------------------	---------------------------

Status:	As Introduced
----------------	---------------

- | | | |
|--|--|--|
| <input 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 type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$5,093,568	\$17,120,391	\$17,585,642	\$18,000,697
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$5,093,568)</u>	<u>(\$17,120,391)</u>	<u>(\$17,585,642)</u>	<u>(\$18,000,697)</u>

Description of fiscal impact: HB 307 increases the basic and per-ANB entitlements by 0.89% in FY 2014 and 2.08% in FY 2015, the present law statutory inflation rates for K-12 BASE aid. Total state general fund cost for the 2015 biennium would be \$22.2 million.

FISCAL ANALYSIS

Assumptions:

- The average number belonging (ANB) used to determine the general fund budgets for K-12 public school districts follows. FY 2013 is the actual current year ANB and FY 2014 and beyond are estimated current year ANB used to calculate the budgeted ANB as determined by 20-9-311(13) and (14), MCA.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
K-6 ANB	80,043	80,779	81,254	81,603	82,609
7-8 ANB	22,146	22,228	22,593	22,671	22,985
9-12 ANB	43,626	43,683	43,323	43,502	43,855
	145,815	146,690	147,170	147,776	149,449

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

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Public Schools	11,995.424	11,995.424	11,995.424	11,995.424	11,995.424
Special Ed Coops	<u>181.637</u>	<u>181.637</u>	<u>181.637</u>	<u>181.637</u>	<u>181.637</u>
FTE Count	12,177.061	12,177.061	12,177.061	12,177.061	12,177.061

3. The present law inflation applied to the basic and per-ANB entitlements (20-9-326, MCA) is 0.89% in FY 2014 and 2.08% in FY 2015. For the present law budget, the basic and per-ANB entitlements are set as follows:

<u>Entitlement</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Elementary Basic	\$23,593	\$23,803	\$24,298	\$24,850	\$25,265
Middle School Basic	\$66,816	\$67,411	\$68,813	\$70,375	\$71,550
High School Basic	\$262,224	\$264,558	\$270,061	\$276,191	\$280,803
Elementary Per-ANB	\$5,075	\$5,120	\$5,226	\$5,345	\$5,434
High School Per-ANB	\$6,497	\$6,555	\$6,691	\$6,843	\$6,957
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

4. Present law (20-9-326, MCA) requires the Governor to include inflation adjustments for the basic and per-ANB entitlements in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

	<u>FY 2014</u>	<u>FY 2015</u>
Direct State Aid	\$400.0 million	\$408.3 million
Guaranteed Tax Base Aid	\$145.8 million	\$149.1 million
County Retirement GTB	\$ 32.7 million	\$ 33.7 million

5. HB 307 changes statute to accommodate the present law adjustments for inflation of the basic and per-ANB entitlements. The Executive Budget includes a general fund increase of \$5.1 million in FY 2014 and \$17.1 million in FY 2015 to implement the inflation requirement.
6. Direct State Aid, GTB, and other 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 present law adjustments do not include inflationary increases for the general fund payments in 20-9-327 through 20-9-330, MCA, (Indian Education for All payment, American Indian Achievement Gap payment, Quality Educator Payment, At-Risk Student payment). These payments total \$48.8 million in each year of the 2015 biennium, distributed at the rates in the following table.

<u>Component</u>	<u>Present law distribution amount</u>
Indian Education for All	\$20.40 per ANB or \$100 per district, whichever is greater
American Indian Achievement Gap	\$200 per American Indian student
Quality Educator	\$3,042 per FTE
At Risk Student	\$5,000,000

8. The state special education allowable cost payment remains at the FY 2012 base level of \$41.6 million per year.
9. The statewide taxable valuations are forecast to increase by 3.17% in FY 2014 and 1.74% in FY 2015.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (Direct State Aid)	\$3,603,054	\$12,069,793	\$12,407,906	\$12,711,497
Local Assistance (Guaranteed Tax Base Aid)	<u>\$1,490,514</u>	<u>\$5,050,598</u>	<u>\$5,177,736</u>	<u>\$5,289,200</u>
TOTAL Expenditures	<u><u>\$5,093,568</u></u>	<u><u>\$17,120,391</u></u>	<u><u>\$17,585,642</u></u>	<u><u>\$18,000,697</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$5,093,568</u>	<u>\$17,120,391</u>	<u>\$17,585,642</u>	<u>\$18,000,697</u>
TOTAL Funding of Exp.	<u><u>\$5,093,568</u></u>	<u><u>\$17,120,391</u></u>	<u><u>\$17,585,642</u></u>	<u><u>\$18,000,697</u></u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

General Fund (01)	(\$5,093,568)	(\$17,120,391)	(\$17,585,642)	(\$18,000,697)
-------------------	---------------	----------------	----------------	----------------

Effect on County or Other Local Revenues or Expenditures:

1. The cost of basic entitlement and per-ANB funding is shared by the state and local taxpayers. Entitlements increase in HB 307, therefore the BASE budget and the maximum general fund budget could increase depending on the ANB increase or decrease in a district. Statewide, the local property taxes to fund the BASE budget would increase by \$3.0 million in FY 2014 and \$9.7 million in FY 2015.

Sponsor's Initials

Date

Budget Director's Initials

Date