GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0634	**Title:**	Revise K-12 district expansion laws
Primary Sponsor:	Wagoner, Kirk	**Status:**	As Introduced

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

FISCAL SUMMARY

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	$0	$0	$3,456,524	$2,178,447
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	($3,456,524)	($2,178,447)

Description of fiscal impact: HB 634 has no state fiscal impact in the 2015 biennium. There would be general fund costs of $5.6 million in the 2017 biennium.

FISCAL ANALYSIS

Assumptions:

1. HB 634 allows an existing elementary district to create a high school district solely for the purpose of expanding into a K-12 district if the elementary district is not part of a unified school system or governed by a joint board with a high school district and if the elementary district's average number belonging (ANB) is at least 1000.
2. HB 634 provides a procedure for determining if the proposition to create a new high school district is approved or rejected by a vote of a school district expansion election.
3. There are currently three independent elementary districts that have more than 1,000 ANB. These are East Helena Elementary (Lewis and Clark County), Hellgate Elementary (Missoula County), and Lockwood Elementary (Yellowstone County).

4. 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 budgets, the basic and per-ANB entitlements are set as follows:

Entitlement	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
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%

5. In existing K-12 school districts, the high school enrollment ranges from 19% to 44% of the total school district enrollment. On average, high school students comprise 32% of the total enrollment in K-12 districts.
6. OPI applied an average of 32% to the elementary district's estimated FY 2016 current year ANB to determine an approximate number of high school students.
7. The following tables show the estimated FY 2016 current year ANB:

Elementary District	FY 2016 Estimated Elementary ANB	Estimated High School ANB within Elementary District
East Helena Elementary	1,212	388
Hellgate Elementary	1,408	451
Lockwood Elementary	1,255	402

High School District	FY 2016 Estimated High School ANB	HB 634 High School ANB
Helena HS	3,054	2,666
Missoula HS	3,489	3,038
Billings HS	5,319	4,917

8. Taxable value would be reduced from the existing feeder high schools and transferred to the newly formed high school budget units within the potential new K-12 districts.
9. There would be an increase to the Indian education for all payment due to a shifting of budget limit ANB from current year to three-year average ANB and vice-versa.
10. It is assumed that time is needed for construction of a new high school building for educating students in the newly formed high school programs. OPI estimates that no districts will be ready to establish a new high school program and begin serving students in the 2015 biennium. The earliest fiscal impacts associated with HB 634 will begin in FY 2016.

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Fiscal Impact:				
Expenditures:				
Local Assistance (Direct State Aid)	$0	$0	$2,548,982	$1,155,584
Local Assistance (Guarenteed Tax Base Aid)	$0	$0	$890,651	$1,015,967
Local Assistance (Indian Education Ongoing	$0	$0	$16,891	$6,896
TOTAL Expenditures	$0	$0	$3,456,524	$2,178,447
Funding of Expenditures:				
General Fund (01)	$0	$0	$3,456,524	$2,178,447
TOTAL Funding of Exp.	$0	$0	$3,456,524	$2,178,447
Revenues:				
General Fund (01)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	$0	($3,456,524)	($2,178,447)

Effect on County or Other Local Revenues or Expenditures:

1. Local property taxes will shift among school districts as a result of creating new high school programs, transferring students among programs, and construction of new high school buildings. These impacts are unknown both in terms of timing and amounts.
2. Local property taxes in the existing high school district will have less tax base to levy school mills on once the new K-12 district is formed. It will become the responsibility of the K-12 district local property taxpayers to bear the cost of the new district as well as the cost of new facilities to house the new K-12 high school district. These costs have not been calculated for this fiscal note.
3. Debt service for newly bonded facilities has not been included in this fiscal note.

Long-Term Impacts:

1. It is anticipated, for this fiscal note, that there would only be three circumstances that would lead to creation of a new K-12 high school district under HB 634 in the next four years. For the purpose of this fiscal note, it is assumed that no elementary district will complete the process of converting to a K-12 district and open a new high school before the end of the 2015 biennium.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*