



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0042
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Title:	Increase K-12 BASE Aid
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Primary Sponsor:	Driscoll, Robyn
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Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input 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	\$5,510,360	\$6,551,264	\$6,689,520	\$6,800,755
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$5,510,360)</u>	<u>(\$6,551,264)</u>	<u>(\$6,689,520)</u>	<u>(\$6,800,755)</u>

Description of fiscal impact: SB 42 increases funding to schools by \$12.1 million for the 2015 biennium. The bill applies an inflationary increase of 0.89% in FY 2014 and 2.08% in FY 2015 to the quality educator payment, the Indian education for all payment, and the American Indian achievement gap payment at a cost of approximately \$1.76 million for the 2015 biennium, The basic entitlement calculation shifts from funding by district to funding by accredited elementary, middle, or high school program at a cost of \$6.7 million for the biennium. SB 42 also funds enrollment adjustments for increases of either 6% or 40 enrolled students, whichever is less. The cost is \$2.29 million for the biennium.

FISCAL ANALYSIS

Assumptions:

1. The average number belonging (ANB) used to determine the general fund budgets for K-12 public schools will be as follows. These estimates are for current year ANB, which is used to calculate the budgeted ANB as determined by 20-9-311(13) and (14).

	<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	<u>43,626</u>	<u>43,683</u>	<u>43,323</u>	<u>43,502</u>	<u>43,855</u>
	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>
DSA	\$400.0 million	\$408.3 million
Guaranteed Tax Base Aid (GTB)	\$145.8 million	\$149.1 million
County Retirement GTB	\$ 32.7 million	\$ 33.7 million

5. DSA, 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.

6. 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). The payments will total \$48.8 million in FY 2014 and \$48.8 million in FY 2015.

<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

7. Section 2 of this bill increases the basic and per-ANB entitlements to the present law amounts having no fiscal impact to this fiscal note.

8. Section 2 of this bill also increases the Indian education for all payment, the American Indian achievement gap payment, and the quality educator payment rounded to the nearest whole dollar due to the inflationary adjustments of 0.89% in FY 2014 and 2.08% in FY 2015. Those payment increases are represented in the following table:

<u>Component</u>	<u>SB 42 Proposed distribution amounts</u>	
	<u>FY 2014</u>	<u>FY 2015</u>
Indian Education for All	\$21.00 per ANB or \$100 per district, whichever is greater	\$21.00 per ANB or \$100 per district, whichever is greater
American Indian Achievement Gap	\$202 per American Indian student	\$206 per American Indian student
Quality Educator	\$3,069 per FTE	\$3,133 per FTE

9. The additional general fund costs of the components increased in assumption 8 are represented in the following table:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Indian Education for All	\$88,417	\$88,439	\$88,667	\$89,648
American Indian Achievement Gap	\$37,694	\$112,638	\$112,200	\$111,768
Per Educator Payment	\$328,781	\$1,108,113	\$1,108,113	\$1,108,113
Total	\$454,892	\$1,309,190	\$1,308,980	\$1,309,529

10. The state special education allowable cost payment remains at the FY 2012 base level of \$41.6 million per year.

11. The statewide taxable valuations are forecast to increase by 3.17% in FY 2014 and 1.74% in FY 2015.

12. Section 2 of this bill includes a change in the basic entitlement payment from a payment per each elementary district, each approved and accredited junior high school, 7th and 8th grade program, or middle school, and high school district to a basic entitlement payment for every elementary program, every junior high school, 7th and 8th grade program, or middle school program, and every high school program.

13. For calculating the impact of providing a basic entitlement per school program in section 2 of the bill, the following table shows the total number of school districts with multiple programs:

	<u>Two Programs</u>	<u>Three Programs</u>	<u>Four to Six Programs</u>	<u>More than Six Programs</u>
Elementary	29	10	5	6
Middle*	3	1	1	0
High School	3	1	1	0

*Middle schools with multiple programs also have elementary schools with multiple programs.

14. General fund cost increases due to basic entitlement changes proposed in SB 42 are represented in the following table:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
DSA	\$2,292,498	\$2,340,177	\$2,393,322	\$2,433,289
GTB	\$973,423	\$1,074,541	\$1,097,434	\$1,108,507
County Retirement GTB	\$47,628	\$49,132	\$50,683	\$53,895
Total	\$3,320,424	\$3,463,100	\$3,535,910	\$3,592,630

15. Section 3 of the bill proposes a change to allow school districts with an anticipated unusual enrollment increase in the ensuing school fiscal year to request, prior to June 1, an additional ensuing school fiscal year DSA for the lesser of at least a 6% enrollment increase or 40 students. Present law allows an additional DSA

funding adjustment for an enrollment increase of at least 6% more than the enrollment used for the budgeted ANB.

16. A review of enrollment increases from FY 2009 to FY 2013 shows that there were 28 school districts that would have benefited from the proposal to lower the threshold for an anticipated unusual enrollment increase to a 40 student increase. These school districts were then compared to the 6% method, and it was determined that all but 15 of these districts could have used the present law 6% method for attaining funding through an anticipated unusual enrollment increase. The student increases greater than 40 were averaged over four years and converted to ANB totaling an additional 487 ANB.
17. An anticipated unusual enrollment increase meeting the current law 6% requirement and requested by the school district by June 1 for the ensuing year allows a recalculation of a school district budget for the ensuing year using the additional ANB.
18. Based on assumption 16, the estimated effect of an school districts’ anticipated enrollment increases of at least 40 students and the districts do not meet the 6% method currently in law, would increase DSA, GTB, Indian Education for All payments, and additional county retirement GTB related to the enrollment increases as reflected in the following table:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
DSA	\$1,129,267	\$1,160,443	\$1,195,495	\$1,230,873
GTB	\$540,189	\$543,294	\$567,032	\$584,432
Indian Education for All	\$10,353	\$10,416	\$10,479	\$10,605
County Retirement GTB	<u>\$62,110</u>	<u>\$64,071</u>	<u>\$66,095</u>	<u>\$69,625</u>
Total	\$1,741,919	\$1,778,225	\$1,839,100	\$1,895,535

Secretary of State

19. There will be minimal cost for postage and administrative duties to make the tribal notifications required by the bill. Since the Office of the Secretary of State does not receive any general fund appropriations, the costs will be covered from the agency enterprise fund.

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Local Assistance (DSA)	\$3,421,765	\$3,500,620	\$3,588,817	\$3,664,162
Local Assistance (GTB)	\$1,513,612	\$1,617,835	\$1,664,466	\$1,692,939
Local Assistance (Indian Education for All)	\$98,770	\$98,855	\$99,146	\$100,253
Local Assistance (American Indian Achievement Gap Pmt)	\$37,694	\$112,638	\$112,200	\$111,768
Local Assistance (Quality Educator Payment)	\$328,781	\$1,108,113	\$1,108,113	\$1,108,113
Local Assistance (County Retirement GTB)	\$109,738	\$113,203	\$116,778	\$123,520
TOTAL Expenditures	<u><u>\$5,510,360</u></u>	<u><u>\$6,551,264</u></u>	<u><u>\$6,689,520</u></u>	<u><u>\$6,800,755</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$5,510,360</u>	<u>\$6,551,264</u>	<u>\$6,689,520</u>	<u>\$6,800,755</u>
TOTAL Funding of Exp.	<u><u>\$5,510,360</u></u>	<u><u>\$6,551,264</u></u>	<u><u>\$6,689,520</u></u>	<u><u>\$6,800,755</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>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$5,510,360)	(\$6,551,264)	(\$6,689,520)	(\$6,800,755)

Effect on County or Other Local Revenues or Expenditures:

1. The increases in the quality educator payment, American Indian achievement gap payment, and the Indian education for all payment are fully funded by the state. The increase in these payments will not increase district property taxes, but there could be a small county retirement levy increase.
2. The cost of the basic and per-ANB entitlements is shared by the state and local taxpayers. Entitlements increase in SB 42, therefore, the BASE budget and maximum general fund budget could increase depending on the change in student enrollments (which drives per-ANB funding). Statewide, local property taxes to fund the BASE budget would increase by approximately \$1.3 million in FY 2014 and \$0.4 million in FY 2015.

Technical Notes:

1. Statute does not clearly define an elementary school program; a junior high school, 7th and 8th grade program, or middle school program; or a high school program as used in Section 2, 20-9-306(6) to determine how the basic entitlement would be paid by the state to K-12 school districts.

Sponsor's Initials

Date

Budget Director's Initials

Date