



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0027	Title:	Increase K-12 BASE aid, entitlements, and payments
Primary Sponsor:	Hayman, Denise	Status:	As Introduced-Revised <input type="button" value="v"/>

- 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

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$19,238,450	\$34,740,772	\$34,845,049	\$35,186,839
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$19,238,450)</u>	<u>(\$34,740,772)</u>	<u>(\$34,845,049)</u>	<u>(\$35,186,839)</u>

Description of fiscal impact: HB 27 applies the statutory language for inflationary increase of 2.33% in FY 2016 and 1.79% in FY 2017 to the basic entitlement, per-ANB entitlement, quality educator payment, the Indian education for all payment, the American Indian achievement gap payment, and the data for achievement payment. These increases constitute the present law adjustment of \$53.9 million for K-12 BASE aid presently included in the Governor's Executive Budget.

FISCAL ANALYSIS

Assumptions:

- 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), MCA.

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
K-6 ANB	82,917	83,643	84,131	84,689	84,954
7-8 ANB	22,167	22,239	22,452	22,695	23,276
9-12 ANB	<u>43,189</u>	<u>43,253</u>	<u>43,390</u>	<u>43,582</u>	<u>44,164</u>
	148,273	149,135	149,973	150,966	152,394

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

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
School Districts	12,190.893	12,190.893	12,190.893	12,190.893	12,190.893
Special Ed Coops	<u>174.572</u>	<u>174.572</u>	<u>174.572</u>	<u>174.572</u>	<u>174.572</u>
Total FTE	12,365.465	12,365.465	12,365.465	12,365.465	12,365.465

3. The present law inflation applied to the Basic and Per-ANB Entitlements, the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, and the At Risk Components (20-9-326, MCA) is 2.33% in FY 2016 and 1.79 % in FY 2017. For the present law budget, entitlement and component is set as follows:

<u>Basic Entitlements</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Elementary Basic	\$40,000	\$50,000	\$50,895	\$51,526	\$52,093
Middle School Basic	\$80,000	\$100,000	\$101,790	\$103,052	\$104,186
High School Basic	\$290,000	\$300,000	\$305,370	\$309,157	\$312,558

Basic Entitlement Increments

Elementary (Each 25 ANB > 250 ANB)	\$2,000	\$2,500	\$2,545	\$2,576	\$2,605
Middle School (Each 45 ANB > 450 ANB)	\$4,000	\$5,000	\$5,090	\$5,153	\$5,209
High School (Each 80 ANB past 800 ANB)	\$12,000	\$15,000	\$15,269	\$15,458	\$15,628

Per ANB Entitlements

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Elementary Per-ANB	\$5,226	\$5,348	\$5,444	\$5,512	\$5,573
High School Per-ANB	\$6,691	\$6,847	\$6,970	\$7,056	\$7,134
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

Components

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Indian Education for All	\$20.40	\$20.88	\$21.25	\$21.51	\$21.75
Indian Achievement Gap	\$200	\$205	\$209	\$212	\$214
Quality Educator	\$3,042	\$3,113	\$3,169	\$3,208	\$3,243
At Risk	\$5,149,426	\$5,269,408	\$5,363,730	\$5,430,240	\$5,489,973
Data for Achievement	\$15.00	\$20.00	\$20.36	\$20.61	\$20.84

4. Present law (20-9-326, MCA) requires the Governor to include inflationary adjustments for the basic and per-ANB entitlements, the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, and the At Risk Components in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

<u>Payment</u>	<u>FY 2016</u>	<u>FY 2017</u>
Direct State Aid	\$435.3 million	\$443.9 million
Guaranteed Tax Base Aid	\$158.9 million	\$160.9 million
County Retirement GTB	\$37.5 million	\$38.7 million
Indian Education For All	\$3.1 million	\$3.2 million
American Indian Achievement Gap	\$4.0 million	\$4.0 million
Quality Educator	\$38.5 million	\$39.2 million
Data for Achievement	\$3.0 million	\$3.0 million

5. HB 27 changes statute to accommodate the present law adjustments for inflation to the basic and per-ANB entitlements. The Executive Budget includes a general fund increase of \$14.3 million in FY 2016 and \$26.6 million in FY 2017 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 Natural Resources Development payment is estimated to be \$4.9 million in FY 2016 and \$8.1 million in FY 2017 with offsetting GTB savings of \$2.3 million in FY 2016 and \$3.7 million in FY 2017.
8. The state special education allowable cost payment remains at the FY 2015 level of \$42.8 million per year.
9. The statewide taxable valuations are forecast to increase by 1.20% in FY 2016 and 3.30% in FY 2017.

Montana School for the Deaf and Blind, Department of Corrections, and Department of Military Affairs

10. HB 27 includes an inflationary increase to the quality educator payments defined in 20-9-327, MCA. That statute includes the Montana School for the Deaf and Blind (MSDB), state youth correctional facilities, and the Montana Youth Challenge program to receive quality educator payments. The following table shows the increase from the current law amount of \$3,042 per qualified FTE plus applicable retirement.

	FTE	FY 2016	FY 2017	FY 2018	FY 2019
Quality Educator Pmt/FTE		\$3,113	\$3,169	\$3,169	\$3,169
MSDB	25.4	\$2,074	\$3,710	\$3,710	\$3,710
Corrections	19.3	\$1,576	\$2,819	\$2,819	\$2,819
Military Affairs	5.0	<u>\$408</u>	<u>\$730</u>	<u>\$730</u>	<u>\$730</u>
		\$4,058	\$7,259	\$7,259	\$7,259

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Srvs (MSDB, Military Affairs, Corrections)	\$4,058	\$7,259	\$7,259	\$7,259
Local Assistance (DSA)	\$9,163,709	\$17,151,288	\$17,260,797	\$17,432,304
Local Assistance (GTB)	\$3,938,926	\$7,364,975	\$7,352,515	\$7,514,854
Local Assistance (Indian Ed for All)	\$71,843	\$127,447	\$128,291	\$129,505
Local Assistance (Achievement Gap)	\$96,990	\$174,582	\$174,582	\$174,582
Local Assistance (Quality Educator)	\$877,948	\$1,570,414	\$1,570,414	\$1,570,414
Local Assistance (Data for Achieve)	\$0	\$53,990	\$54,348	\$54,862
Local Assistance (Retirement GTB)	\$184,976	\$190,817	\$196,843	\$203,059
Local Assistance (Natural Res Dev)	\$4,900,000	\$8,100,000	\$8,100,000	\$8,100,000
TOTAL Expenditures	<u>\$19,238,450</u>	<u>\$34,740,772</u>	<u>\$34,845,049</u>	<u>\$35,186,839</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$19,238,450	\$34,740,772	\$34,845,049	\$35,186,839
TOTAL Funding of Exp.	<u>\$19,238,450</u>	<u>\$34,740,772</u>	<u>\$34,845,049</u>	<u>\$35,186,839</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$19,238,450)	(\$34,740,772)	(\$34,845,049)	(\$35,186,839)

Effect on County or Other Local Revenues or Expenditures:

1. The Natural Resource Development payment is defined as “an amount sufficient to offset any estimated increase in statewide revenue from the general fund BASE budget levy provided for in 20-9-141, MCA, that is anticipated to result from increases in the basic or per-ANB entitlements”. The local property tax impact will vary by district.

Sponsor's Initials

Date

Budget Director's Initials

Date