SENATE FINANCE & CLAIMS

Exhibit No. 1

Date 2-17-15

Bill No. SB 107

Fiscal Note Additional Information
Ron Whitmoyer
459-4488 (c)

The essence of the fiscal note is based on the proportional allocation of funds to schools according to the average number (of students) belonging/enrolled (ANB). The fiscal note illustrates the process that helps mitigate damage to schools when sudden or persistent student enrollment decreases adversely affect operating budgets in schools.

Points from the fiscal note & summaries...

1. Description. Note that the bill shows that the $15 million projection is for **the 2019 biennium** because no school district could conceivably have a new school built and enroll students until FY 2018.

2. Assumes that all three eligible Elementary districts would vote to become K-12 districts as soon as possible, as early as **next year in 2016**, which would be extremely unlikely.

3. Assumes the students start school in the new high school in FY 2018, the new schools get $309,157 each for the base funding signified by the ongoing $1 million in the fiscal note. (Base Entitlement is distributed to each school that expands and represents the ongoing cost to the State along with the decrement for the smaller ANB in each school)

4. Rightfully expresses (pg. 5 Effect on ...Local Revenues...1.) that local taxpayers decide and control local levies necessary to operate the new schools.

5. Assumes the former high school district taxes will increase slightly due to a smaller tax base but also providing an education to a lower proportional ANB count.

6. The Transition Levy passed by the voters according to MCA 15-10-425 is calculated and approved by the voters

7. Assumes the students due to the three-year averaging of ANB that was designed to mitigate declining enrollments in schools. This expressly affects the AA schools which will get the additional $8 million dollars in the first year ($1 million to new Schools + $8 million to the existing AA district w/o kids for a total of $9 million in year 1), $5 million in year 2 and $3 million in year 3, though their enrollment declined by 500 students each.

8. Assumes the new district will operate at the entry level budget as dictated in State law.

9. Assumes that the existing High School Districts will not decrease the number of teacher FTEs. FTEs contribute to the quality educator payment which is calculated at $189,272 for the three new expanded school districts (#17).

10. Because of three-year averaging in calculating ANB, you can see that the fiscal impact decreases annually for 3 years and then maintains at about $1 million ongoing costs (Pg 5.).

11. Most of the long-term increase in cost, and the transition levies, are paid by local taxpayers, so there is no state fiscal impact until local taxpayers decide to tax themselves (#12).

12. Assumes if everything happened immediately, the first General Fund impact would be in 3 years, in Fiscal Year 2018, of about $9.0 million. Then in 2019 it drops to under $6.0 million, and probably $3.5 million the year after that. Eventually it potentially stabilizes at about $1 million, which mostly comes from the cost of the basic entitlement and the ANB decrement.

13. All sections were amended in SB107 by Sen. Taylor Brown to insure bonded indebtedness remains with the original existing district (pg 6: #'s 6., 7., 8., & 9.).

14. The three year averaging of ANB has helped East Helena and innumerous other school districts in the past to mitigate a small class or a small bubble group in enrollment. The law is beneficial to many schools all across Montana that have volatile enrollments due to circumstances like solar power grids, or smelters closing or other unusual community circumstances. Fiscally there is an impact annually all across Montana, but due to the dilution of that impact over a couple hundred school districts it is not as evident in the OPI budget. The three independent elementaries wish to assist the AA's mitigate the losses to their school district and therefore support the ANB averaging assertion in the fiscal note.

Feel free to contact me with additional questions or concerns.