



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	HB0191	Title:	Provide inflationary increase for ANB funding
Primary Sponsor:	Berglee, Seth	Status:	As Amended

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" 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 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:				
General Fund	\$13,984,876	\$33,454,047	\$46,521,216	\$66,272,363
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$13,984,876)</u>	<u>(\$33,454,047)</u>	<u>(\$46,521,216)</u>	<u>(\$66,272,363)</u>

Description of fiscal impact: HB 191, as amended, applies an inflationary increase of 0.05% in FY 2018 and 1.87% in FY 2019 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.

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).

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
K-6 ANB	84,225	84,885	85,023	85,534	85,974
7-8 ANB	22,646	22,907	23,529	24,139	24,403
9-12 ANB	<u>43,218</u>	<u>43,350</u>	<u>43,925</u>	<u>44,321</u>	<u>45,235</u>
	150,089	151,142	152,477	153,994	155,612

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

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
School Districts	12,248.423	12,248.423	12,248.423	12,248.423	12,248.423
Special Ed Coops	<u>177.511</u>	<u>177.511</u>	<u>177.511</u>	<u>177.511</u>	<u>177.511</u>
Total FTE	12,425.934	12,425.934	12,425.934	12,425.934	12,425.934

3. The present law inflation applied to the Basic and Per-ANB Entitlements, and the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data-for-Achievement, and the At Risk Components (20-9-326, MCA) is 1.37% in FY 2018 and 1.00 % in FY 2019. For the present law budget, entitlement and component is set as follows:

<u>Basic Entitlements</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Elementary Basic	\$50,895	\$51,592	\$52,108	\$52,468	\$53,213
Middle School Basic	\$101,790	\$103,185	\$104,217	\$104,936	\$106,426
High School Basic	\$305,370	\$309,554	\$312,650	\$314,807	\$319,277
<u>Basic Entitlement Increments</u>					
Elementary (Each 25 ANB > 250 ANB)	\$2,545	\$2,580	\$2,606	\$2,624	\$2,661
Middle School (Each 45 ANB > 450 ANB)	\$5,090	\$5,160	\$5,212	\$5,248	\$5,323
High School (Each 80 ANB past 800 ANB)	\$15,269	\$15,478	\$15,633	\$15,741	\$15,965
<u>Per ANB Entitlements</u>					
Elementary Per-ANB	\$5,444	\$5,519	\$5,574	\$5,612	\$5,692
High School Per-ANB	\$6,970	\$7,065	\$7,136	\$7,185	\$7,287
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%
<u>Components</u>					
Indian Education for All	\$21.25	\$21.54	\$21.76	\$21.91	\$22.22
Indian Achievement Gap	\$209	\$212	\$214	\$215	\$218
Quality Educator	\$3,169	\$3,212	\$3,244	\$3,266	\$3,312
At Risk	\$5,363,730	\$5,437,213	\$5,491,585	\$5,529,477	\$5,607,996
Data for Achievement	\$20.36	\$20.64	\$20.85	\$20.99	\$21.29

4. Present law (MCA 20-9-326) requires the Governor to include inflationary adjustments for the basic and per-ANB entitlements, and 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 2018</u>	<u>FY 2019</u>
Direct State Aid	\$454.8 million	\$461.9 million
Guaranteed Tax Base Aid	\$163.3 million	\$165.6 million
County Retirement GTB	\$37.4 million	\$38.6 million
Indian Education for All	\$3.3 million	\$3.3 million
American Indian Achievement Gap	\$4.3 million	\$4.3 million
Quality Educator	\$39.9 million	\$40.3 million
Data for Achievement	\$3.1 million	\$3.2 million

5. The present law adjustment for the Natural Resources Development payment is estimated to be \$10.5 million in FY 2018 and \$12.2 million in FY 2019 with offsetting GTB savings of \$5.6 million in FY 2018 and \$6.7 million in FY 2019.
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 state special education allowable cost payment remains at the FY 2017 level of \$42.89 million per year.

8. The statewide present law taxable valuations are forecast to increase by 8.40% in FY 2018 and 2.40% in FY 2019.
9. HB 191 as amended, proposes the inflation adjustment of 0.5% in FY 2018 and 1.87% in FY 2019 to the basic and per-ANB entitlements, the quality educator, Indian education for all, American Indian achievement gap, and data-for-achievement components.

<u>Basic Entitlements</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Elementary Basic	\$50,895	\$51,149	\$52,105	\$52,465	\$53,210
Middle School Basic	\$101,790	\$102,299	\$104,212	\$104,931	\$106,421
High School Basic	\$305,370	\$306,897	\$312,636	\$314,793	\$319,263

<u>Basic Entitlement Increments</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Elementary (Each 25 ANB > 250 ANB)	\$2,545	\$2,558	\$2,606	\$2,624	\$2,661
Middle School (Each 45 ANB > 450 ANB)	\$5,090	\$5,115	\$5,211	\$5,247	\$5,322
High School (Each 80 ANB past 800 ANB)	\$15,269	\$15,345	\$15,632	\$15,740	\$15,964

<u>Per ANB Entitlements</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Elementary Per-ANB	\$5,444	\$5,471	\$5,573	\$5,611	\$5,691
High School Per-ANB	\$6,970	\$7,005	\$7,136	\$7,185	\$7,287
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

<u>Components</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Indian Education for All	\$21.25	\$21.36	\$21.76	\$21.91	\$22.22
Indian Achievement Gap	\$209	\$210	\$214	\$215	\$218
Quality Educator	\$3,169	\$3,185	\$3,245	\$3,267	\$3,313
Data for Achievement	\$20.36	\$20.46	\$20.84	\$20.98	\$21.28

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

10. HB 12 includes inflationary increases to the quality educator payments defined in 20-9-327, MCA. That statute includes the Montana School for the Deaf and Blind (MSDB), Pine Hills and Riverside state youth correctional facilities, and Montana Youth Challenge program within the Department of Military Affairs. The following table shows the increased funding that would be directed to the base budget for those agencies to fund the quality educator payment increase.

Present Law QE Pmt		\$3,169	\$3,169	\$3,169	\$3,169
Proposed QE Pmt		\$3,185	\$3,245	\$3,267	\$3,313
Adjustment		\$16	\$76	\$98	\$144
	FTE	FY 2018	FY 2019	FY 2020	FY 2021
MSDB	25.4	\$406	\$1,930	\$2,489	\$3,658
Corrections	13.0	\$208	\$988	\$1,274	\$1,872
Military Affairs	5.0	\$ 80	\$380	\$490	\$720

Secretary of State

11. This bill will have minimal cost for postage and administrative duties related to tribal notifications in Section 21 of the bill. The Office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services (MSDB)	\$406	\$1,930	\$2,489	\$3,658
Personal Services (Corrections)	\$208	\$988	\$1,274	\$1,872
Personal Services (Military Affairs)	\$80	\$380	\$490	\$720
Local Assistance (DSA)	\$10,893,342	\$21,916,789	\$29,572,267	\$41,233,924
Local Assistance (GTB)	\$2,751,397	\$5,836,022	\$8,426,161	\$11,861,114
Local Assistance (Indian Ed for All)	\$53,097	\$130,969	\$187,072	\$270,750
Local Assistance (Achieve Gap)	\$170,388	\$250,856	\$270,973	\$331,324
Local Assistance (Quality Educator)	\$390,441	\$1,135,997	\$1,409,368	\$1,980,961
Local Assistance (Data For Achieve)	\$50,127	\$124,171	\$177,344	\$257,973
Local Assistance (Natural Resources)	\$1,000,000	\$4,200,000	\$5,400,000	\$8,000,000
Local Assistance (Retirement)	(\$1,324,610)	(\$144,055)	\$1,073,778	\$2,330,067
TOTAL Expenditures	\$13,984,876	\$33,454,047	\$46,521,216	\$66,272,363
<u>Funding of Expenditures:</u>				
General Fund (01)	\$13,984,876	\$33,454,047	\$46,521,216	\$66,272,363
TOTAL Funding of Exp.	\$13,984,876	\$33,454,047	\$46,521,216	\$66,272,363
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$13,984,876)	(\$33,454,047)	(\$46,521,216)	(\$66,272,363)

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.

_____ <i>Sponsor's Initials</i>	_____ <i>Date</i>	_____ <i>Budget Director's Initials</i>	_____ <i>Date</i>
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