



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill #	HB0351	Title:	Encourage transformational learning
Primary Sponsor:	McKamey, Wendy	Status:	As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" 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 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Expenditures:				
General Fund	\$1,033,151	\$1,578,118	\$2,131,287	\$2,165,420
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$1,033,151)</u>	<u>(\$1,578,118)</u>	<u>(\$2,131,287)</u>	<u>(\$2,165,420)</u>

Description of fiscal impact: HB 351 provides a state distribution to schools in support of transformational learning, allows for a permissive levy to a district's flexibility fund, provides definitions and process for the handling of the transformational learning program, and appropriates \$2.6 million state general fund for the 2021 biennium.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction (OPI)

1. Transformational learning is defined in HB 351 as a flexible system of pupil-centered learning designed to develop the full educational potential of each pupil.
2. A school board interested in developing a transformational learning program will complete an application that has been developed by the OPI and provided to the Board of Public Education (BPE). The BPE will approve transformational learning programs for a duration of four consecutive years for qualifying districts.
3. The applications received by the BPE will be reviewed, approved, and retained in the order of which they have been received. Approvals will occur until the total amount of state funding appropriated for the fiscal year is exhausted. Additional qualifying applications past this point will be held in the order received until the

ensuing fiscal year where these applications are to be considered as “first received” in the new fiscal year, if there is an appropriation.

4. Districts are required to annually report to the BPE the progress of the submitted transformational learning plan. The BPE is, in turn, required to report to the legislative interim committee the progress of transformational learning plans by September 15th of each even numbered year.
5. As a portion of the district annual reporting to the BPE, adjusted FTE are to be reported and the transformational learning payment is to be adjusted accordingly.
6. The OPI is to provide a state payment for the four consecutive years following the year of approval of the transformational learning program application. The payment is limited by the amount of transformational learning aid described in section 2(7)(b) of HB 351 to be 50% of the total quality educator payment defined in 20-9-306, MCA, multiplied by 5% in FY 2020, 7.5% in FY 2021 & 10% in FY 2022 & future years of the statewide number of full-time equivalent educators calculated as provided in 20-9-327, MCA, as estimated in the table below:

	½ QEC	Statewide FTE	% of FTE	Transformational Aid
FY 2020	\$1,637.50	12,619	5.0%	\$1,033,151
FY 2021	\$1,667.50	12,619	7.5%	\$1,578,118
FY 2022	\$1,689.00	12,619	10.0%	\$2,131,287
FY 2023	\$1,716.00	12,619	10.0%	\$2,165,420

7. If all 398 operating school districts qualified for the transformational learning program and all were fully funded for all FTE statewide, the program could cost \$20 million. The bill limits the appropriation to 10% of all FTE.
8. The bill defines the transformation learning payment to be made to school districts to be calculated as 50% of the total quality educator payment defined in 20-9-306(16), MCA, multiplied by the number of the district's full-time equivalent educators reported under Section 2(2)(a)(i) of the bill. The transformational learning state payment is to be distributed no later than June 30 in FY 2020 and no later than October 1 in years following FY 2020. Districts are to deposit these state revenues into a school district flexibility fund.
9. Section 2(4)(c) allows no school district to receive more than 25% of the total amount of transformational learning aid payments made in FY 2020 and FY 2021.
10. HB 351 allows additional funding for the transitional learning program may be permissively levied to the flexibility fund in an amount up to the amount of state transformational learning payment to the school district.
11. Section 2(5) provides that a school district's trustees may transfer state or local revenue from any budgeted or nonbudgeted fund, other than the debt service fund or retirement fund, to the district's flexibility fund provided by 20-9-543, MCA, as long as the school district remains qualified for a transformational learning aid payment.
12. The Superintendent of Public Instruction is directed to include the appropriation request in the agency budget request each biennium.
13. Districts intending to permissively levy for transitional learning programs are required to notice the increase in levy by March 31 in compliance with 20-9-116, MCA.
14. HB 351 includes an appropriation to the OPI from the state general fund in an amount of \$2.6 million for transformational learning payments for the 2021 biennium.

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assist (Transformational Learning Aid)	\$1,033,151	\$1,578,118	\$2,131,287	\$2,165,420
TOTAL Expenditures	<u>\$1,033,151</u>	<u>\$1,578,118</u>	<u>\$2,131,287</u>	<u>\$2,165,420</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,033,151	\$1,578,118	\$2,131,287	\$2,165,420
TOTAL Funding of Exp.	<u>\$1,033,151</u>	<u>\$1,578,118</u>	<u>\$2,131,287</u>	<u>\$2,165,420</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)	(\$1,033,151)	(\$1,578,118)	(\$2,131,287)	(\$2,165,420)

Effect on County or Other Local Revenues or Expenditures:

1. HB 351 allows the school district to permissively levy an amount equal to the amount of transitional learning payment the district will receive from the state. Local property taxes could permissively increase levies by \$2.6 million over the 2021 biennium.

Technical Notes:

1. HB 351 directs OPI to rank applications for the transformation learning program on a first-come first-served basis. However, the bill does not include opening and closing dates for receipt of applications for the transitional learning program funds. Providing these dates in statute will assure compliance with the determination of an order of applications received.
2. This legislation allows no one school district may receive more than 25% of the total transformational learning aid in FY 2020 or FY 2021. It would be possible that only four or five larger school districts could receive the total state distribution of transformational learning aid.
3. Section 2(3)(b) requires school districts to annually report adjustments to its number of participating FTE quality educators and that the OPI should adjust the distribution of transitional learning payments based on increased levels of participating FTE. Clarification is needed in this section of the bill. Should the distribution of transitional learning payments be adjusted if FTE participation declines? If there are to be adjustments made, are the adjustments to be made in the order of original application and before any consideration of additional applications? Do these adjustments in payment occur before newly qualifying districts are to receive state distributions for transitional learning? How should the OPI handle a situation where an adjustment causes a district to surpass the 25% of transitional learning aid to any one district? What is the timeline for the BPE to inform the OPI of these adjustments?
4. Section 2(4)(c) states, "For fiscal years 2020 and 2021, a school district may not receive more than 25% of the total amount of payments made under this subsection." It is unclear if this is intended for school system or legal entity (LE). If this is for the LE level, then K-12 districts are at a disadvantage as these districts are a single LE for K-12 (both the elementary and high school as one LE) where a joint board school system may be made up of two LEs and could qualify for up to 50% of the transitional learning aid in a fiscal year. This section is also limited to FY 2020 and FY 2021 but does not address future years.

5. Section 2(5)(a) allows for a permissive levy up to an amount equal to the state distribution of the transitional learning payment. The bill also requires that districts notice the levy increase amount as per the requirements set forth in 20-9-116, MCA. In legislative year's, the permissive levy amount may not be known as the quality educator payment amount would not be known until the legislature has passed legislation defining the amounts. Noticing the amount of levy change may not be accurate when noticed.
6. The implementation of the transitional learning payment is in question for the FY 2020 calculation. Section 2(4) directs the OPI to make transitional learning payments to begin the fiscal year following the fiscal year in which a district is qualified by the BPE. To qualify for FY 2020 payments, a district would need to be qualified by the BPE in FY 2019. This legislation would have to be passed, the BPE and OPI need to have all the implementation in place, school districts would have to apply and be approved by June 30, 2019. It is unlikely this timeline could be met.
7. The statewide FTE for FY 2020, a variable in the transitional learning aid calculation, will not be known until February of FY 2020. The statewide number of full-time equivalent educators in section 2(8)(b) should be clarified as to which year's count applies for this formula.
8. HB 351 requires the OPI to begin payments to schools in FY 2020 and to direct those funds to the district's flexibility fund in 20-9-543, MCA. Districts applying for the transitional learning payment would need to know the amount of state distribution the school district will receive before preparing and adopting district budgets, otherwise the district would not have authority to expend the state funds received in the year the funds are received.
9. This program is designed to distribute funds to qualifying districts over a four-year period. Appropriations would need to grow each year to allow for the first-year awardees to receive the same amount of funding in each of the three following years and allow new awardees into the program.
10. This bill is unclear if a district could apply for funds again for another four-year period at the end of any four-year period where a district has qualified.

Sponsor's Initials

Date

TL
Budget Director's Initials

2/4/19
Date