



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

**Bill #** HB0351

**Title:** Encourage transformational learning

**Primary Sponsor:** McKamey, Wendy

**Status:** As Amended

- ☒ 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 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$1,088,459	\$1,631,599	\$2,185,570	\$2,220,518
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,088,459)</u>	<u>(\$1,631,599)</u>	<u>(\$2,185,570)</u>	<u>(\$2,220,518)</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 school district's flexibility fund, provides definitions and process for handling the transformational learning program, and appropriates \$2.6 million state general fund for the 2021 biennium. The Office of Public Instruction determined a need for 0.50 FTE.

### 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 first-time applications and annual reports requesting expansions 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 15<sup>th</sup> 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. These payment adjustments are to be considered in the order they are received by the BPE and are to be considered in the order of having been received in relation to the first-time applications and reports requesting program expansion. Additionally, applications that have been deferred to a subsequent year must be annually updated to retain its priority by original date received.
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:

	<b>½ QEC</b>	<b>Statewide FTE</b>	<b>% of FTE</b>	<b>Transformational Aid</b>
<b>FY 2020</b>	\$1,637.50	12,619	5.0%	\$1,033,151
<b>FY 2021</b>	\$1,667.50	12,619	7.5%	\$1,578,118
<b>FY 2022</b>	\$1,689.00	12,619	10.0%	\$2,131,287
<b>FY 2023</b>	\$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. For FY 2020, the transformation learning payment to be made to school districts would be calculated as 50% of the total quality educator payment defined in 20-9-306(16), MCA, for FY 2020 multiplied by the number of each qualifying district’s full-time equivalent educators reported under Section 2(2)(a)(i) of the bill. The transformational learning state payment would be distributed no later than June 30 of FY 2020. Districts are to deposit these state payments into the school district flexibility fund.
9. The bill defines the transformation learning payment, for fiscal years beginning 2021 and beyond, to be made to school districts to be calculated as 50% of the total quality educator payment defined in 20-9-306(16), MCA, of the prior fiscal year, multiplied by the number of each 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 October 1 in years following FY 2020. Districts are to deposit these state payments into the school district flexibility fund.
10. 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. The limit per school district does not continue beyond the 2021 biennium.
11. HB 351 allows additional funding for the transitional learning program may be permissively levied by the school district to the flexibility fund in an amount up to the state transformational learning payment received by the school district. Districts intending to permissively levy for transitional learning programs are directed to notice the increase in levy by March 31 in compliance with 20-9-116, MCA. Although districts will not be able to notice this permissive levy increase by March 31, 2019, for FY 2020 levies, the district could impose the levies during the FY 2020 budget cycle.
12. 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.

13. The Superintendent of Public Instruction is directed to include the request for an appropriation in the OPI budget request each biennium for the transitional learning payments.
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.
15. The OPI estimates it would add 0.50 FTE to administer the transformational learning program and its distributions. The specialist would cost \$42,372 annually for salary and benefits in FY 2020 and FY 2021. The operating budget for this position is \$3,500 ongoing plus one-time-only costs of \$1,600 for an office package and \$1,200 for a computer in FY 2020, plus 17% indirect costs. The total general fund cost for FY 2020 would be \$55,308 and FY 2021 costs would be \$53,481 for salary and benefits, operating, and indirect costs. FY 2022 and FY 2023 expenditures are increased by 1.5% over FY 2021 expenditures.

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Local Assist (Transformational Learning Aid)	\$1,033,151	\$1,578,118	\$2,131,287	\$2,165,420
Personal Services (OPI)	\$42,372	\$42,210	\$42,843	\$43,486
Operating Expenses (OPI)	\$4,900	\$3,500	\$3,553	\$3,606
Indirect Costs (OPI)	\$8,036	\$7,771	\$7,887	\$8,006
<b>TOTAL Expenditures</b>	<u>\$1,088,459</u>	<u>\$1,631,599</u>	<u>\$2,185,570</u>	<u>\$2,220,518</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>\$1,088,459</u>	<u>\$1,631,599</u>	<u>\$2,185,570</u>	<u>\$2,220,518</u>
<b>TOTAL Funding of Exp.</b>	<u>\$1,088,459</u>	<u>\$1,631,599</u>	<u>\$2,185,570</u>	<u>\$2,220,518</u>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	<u>(\$1,088,459)</u>	<u>(\$1,631,599)</u>	<u>(\$2,185,570)</u>	<u>(\$2,220,518)</u>

**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 would receive from the state. Local property taxes could permissively increase levies by \$2.6 million over the 2021 biennium.
2. HB 351 requires the OPI to begin payments to schools in FY 2020 and to direct those funds to the school district's flexibility fund in 20-9-543, MCA. Districts qualifying for the transitional learning payment would need to know the amount of state payment to be received in order to prepare and adopt district budgets with appropriate budget authority.

WME  
Sponsor's Initials

2-22-19  
Date

TL  
Budget Director's Initials

2/22/19  
Date