



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

**Bill #** SB0146

**Title:** Revise laws related to an inflationary adjustment for education

**Primary Sponsor:** Salomon, Daniel R

**Status:** As Introduced

- 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	\$27,751,740	\$49,374,778	\$64,280,178	\$82,251,453
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$27,751,740)</u>	<u>(\$49,374,778)</u>	<u>(\$64,280,178)</u>	<u>(\$82,251,453)</u>

**Description of fiscal impact:** HB 225 applies statutory inflationary increases of 0.91% in FY 2020 and 1.83% in FY 2021 to the K-12 school funding formula per 20-9-326, MCA. The 2021 biennium cost to the state general fund would be \$77.1 million. These costs are included in the Governor's 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.

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
K-6 ANB	84,812	84,898	84,610	84,608	85,063
7-8 ANB	23,103	23,691	23,982	24,012	23,272
9-12 ANB	<u>43,273</u>	<u>43,466</u>	<u>44,267</u>	<u>44,974</u>	<u>45,902</u>
Total	151,188	152,055	152,859	153,594	154,237

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

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
School Districts	12,436.387	12,436.387	12,436.387	12,436.387	12,436.387
Special Ed Coops	182.248	182.248	182.248	182.248	182.248
Total FTE	12,618.635	12,618.635	12,618.635	12,618.635	12,618.635

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 0.91% in FY 2020 and 1.83 % in FY 2021. For the present law budget, entitlement and component is set as follows:

<b>Basic Entitlements</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Elementary Basic	\$52,105	\$52,579	\$53,541	\$54,232	\$55,100
Middle School Basic	\$104,212	\$105,160	\$107,084	\$108,465	\$110,200
High School Basic	\$312,636	\$315,481	\$321,254	\$325,398	\$330,604
<b>Basic Entitlement Increments</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Elementary (Each 25 ANB > 250 ANB)	\$2,606	\$2,630	\$2,678	\$2,713	\$2,756
Middle School (Each 45 ANB > 450 ANB)	\$5,211	\$5,258	\$5,354	\$5,423	\$5,510
High School (Each 80 ANB past 800 ANB)	\$15,632	\$15,774	\$16,063	\$16,270	\$16,530
<b>Per ANB Entitlements</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Elementary Per-ANB	\$5,573	\$5,624	\$5,727	\$5,801	\$5,894
High School Per-ANB	\$7,136	\$7,201	\$7,333	\$7,428	\$7,547
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%
<b>Components</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Indian Education for All (per ANB)	\$21.76	\$21.96	\$22.36	\$22.65	\$23.01
Indian Achievement Gap (per ANB)	\$214	\$216	\$220	\$223	\$227
Quality Educator (per FTE)	\$3,245	\$3,275	\$3,335	\$3,378	\$3,432
Data for Achievement (per ANB)	\$20.84	\$21.03	\$21.41	\$21.69	\$22.04
At Risk (statewide)	\$5,463,895	\$5,513,616	\$5,614,515	\$5,686,942	\$5,777,933

4. Present law (20-9-326, MCA) requires 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:

<b>Payment</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Direct State Aid</b>	\$469.1 million	\$478.9 million
<b>Guaranteed Tax Base Aid</b>	\$226.5 million	\$236.0 million
<b>County Retirement GTB</b>	\$44.8 million	\$46.1 million
<b>Indian Education For All</b>	\$3.4 million	\$3.4 million
<b>American Indian Achievement Gap</b>	\$4.4 million	\$4.5 million
<b>Quality Educator</b>	\$41.3 million	\$42.1 million
<b>Data for Achievement</b>	\$3.2 million	\$3.3 million

5. 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.
6. The state special education allowable cost payment remains at the FY 2019 level of \$43.29 million per year.
7. The statewide present law taxable valuations are forecast to increase by 7.7% in FY 2020 and 2.10% in FY 2021.
8. SB 146 changes statute in 20-9-306, MCA, to address statutory K-12 BASE aid inflation increases per 20-9-326, MCA. The inflation factor for FY 2020 is 0.91% and for FY 2021 is 1.83%. These increases also increase the amount of retirement GTB to be paid by the state in the 2021 biennium.
9. BASE aid components included in the inflationary adjustment: basic and per ANB entitlements, quality educator, Indian education for all, American Indian achievement gap, data-for-achievement, and at risk.

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

10. HB 225 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 these agencies to fund the quality educator payment increase.

Present Law QE Payment	\$3,245	\$3,245	\$3,245	\$3,245
Proposed QE Payment	\$3,275	\$3,335	\$3,378	\$3,432
Adjustment	\$30	\$90	\$133	\$187

	<b>FTE</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
MSDB	25.4	\$762	\$2,286	\$3,378	\$4,750
Corrections	11.0	\$330	\$990	\$1,463	\$2,057
Military Affairs	5.0	\$150	\$450	\$665	\$935

	<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><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services (MSDB)	\$762	\$2,286	\$3,378	\$4,750
Personal Services (Corrections)	\$330	\$990	\$1,463	\$2,057
Personal Services (Military Affairs)	\$150	\$450	\$665	\$935
Local Assist (DSA)	\$9,443,824	\$19,293,007	\$28,138,937	\$38,813,054
Local Assist (GTB)	\$10,687,051	\$20,243,253	\$24,493,280	\$29,588,617
Local Assist (Indian Ed for All)	\$31,580	\$97,913	\$160,582	\$235,822
Local Assist (Achieve Gap)	\$33,798	\$115,090	\$176,059	\$257,351
Local Assist (Quality Educator)	\$422,739	\$1,179,857	\$1,722,459	\$2,403,865
Local Assist (Data for Achieve)	\$3,209,998	\$3,272,947	\$3,333,319	\$3,406,194
Local Assist (Retire GTB)	\$3,921,507	\$5,168,985	\$6,250,036	\$7,538,807
<b>TOTAL Expenditures</b>	<u>\$27,751,740</u>	<u>\$49,374,778</u>	<u>\$64,280,178</u>	<u>\$82,251,453</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$27,751,740	\$49,374,778	\$64,280,178	\$82,251,453
<b>TOTAL Funding of Exp.</b>	<u>\$27,751,740</u>	<u>\$49,374,778</u>	<u>\$64,280,178</u>	<u>\$82,251,453</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<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)	(\$27,751,740)	(\$49,374,778)	(\$64,280,178)	(\$82,251,453)

**Effect on County or Other Local Revenues or Expenditures:**

1. The local property tax impact related to inflation increases to the school funding formula would be an increase of \$5.3 million for the 2021 biennium.

  
 Sponsor's Initials \_\_\_\_\_  
 Date 1-25-19 \_\_\_\_\_

  
 Budget Director's Initials \_\_\_\_\_  
 Date 1/24/19 \_\_\_\_\_