



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0015

Title: Implement K-12 Inflation

Primary Sponsor: Anderson, Fred

Status: As Introduced

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input 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 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$24,187,518	\$47,805,058	\$64,960,468	\$88,264,638
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$24,187,518)</u>	<u>(\$47,805,058)</u>	<u>(\$64,960,468)</u>	<u>(\$88,264,638)</u>

Description of fiscal impact: HB 15 is based on Governor Bullock's Executive Budget. The inflation increases applied are 2.16% in FY 2022 and 1.91% in FY 2023 per 20-9-326, MCA. The state general fund cost for the 2023 biennium would be \$72 million.

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.

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
K-6 ANB	85,452	85,935	86,696	87,205	87,788
7-8 ANB	24,270	24,325	23,667	23,580	23,746
9-12 ANB	<u>44,140</u>	<u>44,998</u>	<u>45,932</u>	<u>46,549</u>	<u>46,415</u>
Total ANB	153,862	155,258	156,295	157,334	157,949

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

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
School Districts	12,556.980	12,556.980	12,556.980	12,556.980	12,556.980
Special Ed Coops	<u>180.147</u>	<u>180.147</u>	<u>180.147</u>	<u>180.147</u>	<u>180.147</u>
Total FTE	12,737.127	12,737.127	12,737.127	12,737.127	12,737.127

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 is 1.50% in FY 2022 and 2.57% in FY 2023. Entitlements and the components set in Governor Bullock’s Executive Budget follows:

<u>Basic Entitlements</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Elementary Basic	\$53,541	\$54,697	\$55,742	\$56,7445	\$57,789
Middle School Basic	\$107,084	\$109,397	\$111,486	\$113,493	\$115,581
High School Basic	\$321,254	\$326,193	\$334,461	\$340,481	\$346,746

<u>Basic Entitlement Increments</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Elementary (Each 25 ANB > 250 ANB)	\$2,678	\$2,736	\$2,788	\$2,838	\$2,890
Middle School (Each 45 ANB > 450 ANB)	\$5,354	\$5,470	\$5,574	\$5,674	\$5,778
High School (Each 80 ANB past 800 ANB)	\$16,063	\$16,410	\$16,723	\$17,024	\$17,337

<u>Per ANB Entitlements</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Elementary Per-ANB	\$5,727	\$5,851	\$5,963	\$6,070	\$6,182
High School Per-ANB	\$7,333	\$7,491	\$7,634	\$7,771	\$7,914
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

<u>Components</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Indian Education for All	\$22.36	\$22.84	\$23.28	\$23.70	\$24.14
Indian Achievement Gap	\$220	\$225	\$229	\$233	\$237
Quality Educator	\$3,335	\$3,407	\$3,472	\$3,534	\$3,599
At Risk	\$5,641,973	\$5,763,840	\$5,873,929	\$5,979,660	\$6,089,686
Data for Achievement	\$21.41	\$21.87	\$22.29	\$22.69	\$23.11

4. Present law (20-9-326, MCA) requires the Superintendent of Public Instruction 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 2022</u>	<u>FY 2023</u>
Direct State Aid	\$494.7 million	\$509.4 million
Guaranteed Tax Base Aid	\$238.6 million	\$248.3 million
County Retirement GTB	\$50.0 million	\$51.4 million
Indian Education for All	\$3.6 million	\$3.6 million
American Indian Achievement Gap	\$4.6 million	\$4.7 million
Quality Educator	\$43.4 million	\$44.2 million
Data for Achievement	\$3.4 million	\$3.5 million

5. The Natural Resources Development payment is statutorily appropriated at \$10 million per year in 20-9-635, MCA. Funding for this component is budgeted at \$2,209,000 million in FY 2022 and \$2,539,000 in FY 2023 from the state special revenue coal sub-trust interest. Additionally, \$7,791,000 in FY 2022 and \$7,461,000 in FY 2023 will come from the state general fund. It is estimated that to fully fund this component if all school districts levied to receive the maximum amount of funding allowed, it would cost the state a total of \$10.3 million per year of the 2023 biennium.
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 Governor’s 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 is maintained at the FY 2021 level of \$44.70 million per year.
8. The At-Risk Student payment inflation increase of \$84,630 in FY 2022 and \$231,804 in FY 2023 will be appropriated in HB 2.
9. The statewide present law taxable valuations are forecast to increase by 7.28% in FY 2022 and 1.79% in FY 2023.
10. HB 15 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 2022 is 2.16% and for FY 2023 is 1.91%.
11. BASE aid components included in the inflationary adjustments: basic and per ANB entitlements, quality educator, Indian education for all, American Indian achievement gap, data for achievement and at-risk.
12. This bill does not appropriate funds, only defines the legislative intent to appropriate. This funding is in Governor Bullock’s Executive Budget.

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

13. HB 15 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 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 each of these agencies to fund the quality educator payment increases.

Present Law QE payment		\$3,335	\$3,335	\$3,335	\$3,335
Proposed QE Payment		\$3,385	\$3,472	\$3,534	\$3,599
Adjustment		\$50	\$137	\$199	\$264
	FTE	FY 2022	FY 2023	FY 2024	FY 2025
MSDB	25.40	\$1,270	\$3,480	\$5,055	\$6,706
Corrections	11.00	\$550	\$1,507	\$2,189	\$2,904
Military Affairs	5.00	\$250	\$685	\$995	\$1,320

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services (MSDB)	\$1,270	\$3,480	\$5,055	\$6,706
Personal Services (Corrections)	\$550	\$1,507	\$2,189	\$2,904
Personal Services (Military Affairs)	\$250	\$685	\$995	\$130
Local Assist (DSA)	\$17,201,834	\$28,616,350	\$40,931,206	\$52,467,550
Local Assist (GTB)	\$1,676,158	\$11,437,459	\$13,727,501	\$22,933,892
Local Assist (Indian Ed for All)	\$126,572	\$209,258	\$299,128	\$384,357
Local Assist (Achievement Gap)	\$162,425	\$245,021	\$327,617	\$410,213
Local Assist (Quality Educator)	\$1,085,657	\$1,913,571	\$2,703,272	\$3,531,186
Local Assist (Data for Achieve)	\$121,348	\$200,262	\$285,984	\$367,395
Local Assist (Retirement GTB)	\$3,811,454	\$5,177,466	\$6,677,521	\$8,160,306
TOTAL Expenditures	\$24,187,518	\$47,805,058	\$64,960,468	\$88,264,638

<u>Funding of Expenditures:</u>				
General Fund (01)	\$24,187,518	\$47,805,058	\$64,960,468	\$88,264,638
TOTAL Funding of Exp.	\$24,187,518	\$47,805,058	\$64,960,468	\$88,264,638

<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)	(\$24,187,518)	(\$47,805,058)	(\$64,960,468)	(\$88,264,638)

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 \$2.6 million for the FY 2023 biennium.



 Sponsor's Initials

1/13/21

 Date

KA

 Budget Director's Initials

1/12/21

 Date