



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0046	Title:	Revise special education funding
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Primary Sponsor:	Bedey, David	Status:	As Introduced
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input 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 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	\$1,941,919	\$3,416,897	\$3,899,607	\$4,747,663
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$1,941,919)</u>	<u>(\$3,416,897)</u>	<u>(\$3,899,607)</u>	<u>(\$4,747,663)</u>

Description of fiscal impact: HB 46 includes the special education allowable cost payment in the definition of BASE aid and modifies the calculation that determines the amount of special education allowable cost payment for both positive adjustments in ANB and inflation. These changes net an increase of state general fund expenditures of \$5.3 million for the 2023 biennium for K-12 schools.

FISCAL ANALYSIS

Assumptions:

1. HB 46 adds the special education allowable cost payment to the definition of BASE aid as defined in 20-9-306, MCA.
2. The present law base year, FY 2021, set the special education allowable cost payment appropriated by the 2019 Montana State Legislature at \$44,702,880.
3. HB 46 modifies section 20-9-326, MCA, which determines the annual inflation-related adjustments for the school funding formula, to include the special education allowable cost payment. For the 2023 biennium, inflation rates are set at 1.50% for FY 2022 and 2.57% for FY 2023 in Governor Gianforte's Budget.
4. The bill changes the special education appropriation calculation. Currently, the legislature sets a dollar amount for the special education allowable cost appropriation based on the total appropriated in the prior biennium. HB 46 proposes to determine the special education allowable cost appropriation by calculating a dollar amount times the number of current ANB for each year of the biennium.

- The school funding model, shared by the Office of Public Instruction, the Governor’s Office of Budget and Program Planning and the Legislative Fiscal Division, is used for making K-12 BASE Aid estimates during session.
- The school funding model used for determining the Governor Gianforte Budget shows FY 2021, the base year for funding the 2023 biennium budgets. The FY 2021 base special education allowable cost appropriation was \$44,702,880. The following table shows the current ANB, special education rate as stated in HB 46 and the total proposed appropriation.

	Current ANB	Special Ed Rate	Appropriation
FY 2022	155,258	\$298.32	\$46,316,567
FY 2023	156,295	\$304.02	\$47,516,806

This is a total biennial general fund cost increase of \$4,427,613 or \$1,613,687 in FY 2022 and \$2,813,926 in FY 2023 over base. There would be state general fund GTB increase of \$0.8 million, a retirement GTB increase of \$0.2 million in the 2023 biennium a local district general fund BASE levy increase of \$0.5 million.

- HB 46 provides that the amount of special education allowable cost payment allocation is the greater of allocation calculation in the bill or the previous year’s total special education allocation. This shields the special education allowable costs allocation from decreasing if the statewide ANB were to decrease protecting maintenance of effort.

	FY 2022 <u>Difference</u>	FY 2023 <u>Difference</u>	FY 2024 <u>Difference</u>	FY 2025 <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (SPED)	\$1,613,687	\$2,813,926	\$3,990,420	\$5,079,486
Local Assistance (GTB)	\$267,924	\$497,831	(\$5,830)	(\$261,697)
Local Assistance (Retire GTB)	\$60,308	\$105,140	\$5,017	(\$70,126)
TOTAL Expenditures	<u>\$1,941,919</u>	<u>\$3,416,897</u>	<u>\$3,989,607</u>	<u>\$4,747,663</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,941,919	\$3,416,897	\$3,989,607	\$4,747,663
TOTAL Funding of Exp.	<u>\$1,941,919</u>	<u>\$3,416,897</u>	<u>\$3,989,607</u>	<u>\$4,747,663</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)	(\$1,941,919)	(\$3,416,897)	(\$3,989,607)	(\$4,747,663)

Effect on County or Other Local Revenues or Expenditures:

- Increases in special education allowable cost payment appropriations as proposed in HB 46 could increase local property taxes by \$174,000 in FY 2022 and \$283,000 in FY 2023.

AUTHORIZED BY SPONSOR
 Sponsor's Initials

1/15/21
 Date

KA
 Budget Director's Initials

1/11/21
 Date