



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0046

Title: Revise special education funding

Primary Sponsor: Bedey, David

Status: As Amended in House Committee

- 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 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	\$556	\$616	\$1,336,402	\$2,608,720
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$556)</u>	<u>(\$616)</u>	<u>(\$1,336,402)</u>	<u>(\$2,608,720)</u>

Description of fiscal impact: HB 46, as amended, 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 adjustments in ANB and inflation. There is no significant impact to the state general fund in the 2023 biennium. The increase becomes effective for the 2025 biennium and is estimated to cost \$3.9 million.

FISCAL ANALYSIS

Assumptions:

- HB 46 adds the special education allowable cost payment to the definition of BASE aid as defined in 20-9-306, MCA.
- 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.
- 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. As amended, the increase due to inflation would begin in FY2024. For the 2025 biennium, inflation rates are estimated to be 1.80% for FY 2024 and 1.84% for FY 2025.
- 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.

Fiscal Note Request – As Amended in House Committee

(continued)

- 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	\$287.93	\$44,703,436
FY 2023	156,295	\$286.02	\$44,703,496
FY 2024	157,334	\$291.17	\$45,810,941
FY 2025	157,949	\$296.53	\$46,836,617



This is a total biennial general fund cost increase of \$1,172 or \$556 in FY 2022 and \$616 in FY 2023 over base. There would be a minimal state general fund GTB increase, and a minimal retirement GTB increase. In the 2023 biennium a local district general fund BASE levy increase would be insignificant.

- HB 46 provides that the amount of special education allowable cost payment allocation is the greater of the 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 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Fiscal Impact:				
Expenditures:				
Local Assistance (SPED)	\$556	\$616	\$1,108,061	\$2,133,737
Local Assistance (GTB)	\$0	\$0	\$186,456	\$393,514
Local Assistance (Retire GTB)	\$0	\$0	\$41,885	\$81,469
TOTAL Expenditures	\$556	\$616	\$1,336,402	\$2,608,720
Funding of Expenditures:				
General Fund (01)	\$556	\$616	\$1,336,402	\$2,608,720
TOTAL Funding of Exp.	\$556	\$616	\$1,336,402	\$2,608,720
Revenues:				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	(\$556)	(\$616)	(\$1,336,402)	(\$2,608,720)

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 a minimal amount in the 2023 biennium. Increases of \$90,000 in FY 2024 and \$110,000 in FY 2025 could be recognized given the proposed special education allowable costs allocations.

	1/26/2021		1/25/21
Sponsor's Initials	Date	Budget Director's Initials	Date