



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0549 - Authorizing establishment of public charter schools (Anderson, Fred )

**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 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b>Expenditures:</b>				
General Fund	\$147,166	\$378,779	\$388,019	\$395,477
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$147,166)</u>	<u>(\$378,779)</u>	<u>(\$388,019)</u>	<u>(\$395,477)</u>

**Description of fiscal impact:** HB 549 establishes the Public Charter Schools Act. The state general fund cost is estimated to be \$147,166 in FY 2025 and \$378,779 in FY2025.

### FISCAL ANALYSIS

**Assumptions:**

1. HB 549 states that it is the intent of the legislature “to create a limited number of innovative and high-performing public charter schools under the general supervision of the Board of Public Education.”
2. Section 4 of the bill identifies the responsibilities of the Board of Public Education (board) to include solicit, evaluate, approve, or deny new charter schools based on a series of criteria for improvement of instructional opportunities.
3. The board is required annually on or before December 1 to publish a report on the state’s public charter schools to include a comparison of the performance of public charter school students and non-charter school students as well as the board’s assessment of successes, challenges, and areas for improvement. Additional consideration is to include the board’s opinions for sufficiency of charter school funding.
4. Section 5 of HB 549 outlines the public charter school proposal process to include criteria to guide the board’s decision along with an executive summary, mission and vision, demographic information as well as descriptions of the offerings and other information.

5. The terms of a charter contract are defined to include 5-year time spans, as well as details on performance, signatures, approval for operation, and other requirements.
6. The bill further describes the governing board, elections, and terms to include the board's composition number of members and term length limits and the availability of the formation of an advisory committee.
7. Section 8 describes students to be enrolled in the public charter school within the state, limitations on admissions, enrollment preferences, a non-discrimination clause, the identification of the need for a lottery in association with capacity limitations, and a lack of restriction acknowledgment.
8. The bill describes the charter school's performance and renewal to include a listing of performance indicators, standards, and performance targets. It is stated that the performance framework must include the board's approval and that the board will collect and analyze data from each charter school. It is further indicated that the board shall monitor performance and legal compliance of each public charter school. Publication of data will be created, and information published in reference to these public charter schools. The board may act for correction and revocation of charters upon certain situations as well as non-renewal.
9. Section 10 describes the charter's contract revocation and school closure or charter contract non-renewal reasons, actions, and procedures.
10. The bill defines the public charter school operation and autonomy stating that the entity must be a nonprofit organization and that the public charter school will be subject to the provisions of Montana Code Annotated Title 20 to include local rules regulations or policies.
11. Public charter schools may not be formed in class three districts in accordance with sections 20-6-201, & 20-6-301, MCA, unless the applicant is the local school board.
12. A public charter school is to be identified as a separate Local Educational Agency (LEA) and must meet the requirements as such.
13. Public charter schools are required to be equipped to handle the terms of the charter contract outlined in HB 549 and may not engage in sectarian practice and are subject to civil rights, health, and safety requirements like that of all other public schools.
14. Employees of public charter schools are to have the same rights and privileges as other public schools with certain exceptions outlined in HB 549.
15. According to OPI classification data there are 57 first class and 160 second class districts in the state as of FY 2023. All of these districts are permitted to host a public charter school per HB 549.
16. Section 12 of HB 549 states that the legislative intent of funding public charter schools is for a public charter school to receive operational funding on a per-pupil basis that is equitable with the per-pupil funding within the general fund of the located school district.
17. Public charter school funding is to include the following:
  - a. For budgeting purposes, the located district will identify the public charter school as a separate budget unit and be funded with the same funding components, with the exception of the basic entitlement which has certain qualifying language associated. These qualifiers are as follows:
    - i. The public charter school is not eligible for a basic entitlement unless the ANB of the public charter is greater than:
      1. 70 for an elementary program
      2. 20 for a middle school program
      3. 40 for a high school program
  - b. Funds shall be transferred to the public charter school's account in 10% increments from September through June, the amount is described as:
    - i. 80% of the public charter school's basic entitlement amount under 20-9-306, MCA, if applicable; and
    - ii. the student amount for the located school district multiplied by:
      1. in the first year of operation, the public charter school's enrollment as of June 1; and
      2. in the second and subsequent years of operation, the public charter school's current year ANB plus, any additional ANB for enrollment increases pursuant to 20-9-166, MCA.

18. Students attending public charter schools are subject to out of district attendance agreements.
19. Public charter schools are subject to annual reporting as described in section 20-9-213, MCA.
20. Debt obligations of a public charter school are the sole responsibility of the public charter school.
21. The “student amount” is defined as follows:
  - a. the data for achievement (Data) payment rate under 20-9-306, MCA.
  - b. the Indian education for all (IEA) payment rate under 20-9-306, MCA.
  - c. 140% of the per-ANB amounts of the instructional block grant (IBG) and related services block grant (RSGBG) under 20-9-321, MCA and
  - d. the applicable per-ANB maximum rate established in 20-9-306, MCA, for the public charter school student multiplied by the ratio, rounded to the nearest one hundredth and not to exceed 1.00, of the resident district’s adopted general fund budget to its maximum general fund budget in the prior year.
22. Basic entitlements in current law are proposed to be:

<u>Basic Entitlements</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Basic	\$55,741	\$57,246	\$58,963	\$60,732	\$62,050
Middle School Basic	\$111,483	\$114,493	\$117,928	\$121,466	\$124,102
High School Basic	\$334,453	\$343,483	\$353,787	\$364,401	\$372,309

23. The estimated student amounts (ESA) are as follows:

<b>Elementary Programs</b>									
<b>Fiscal Year</b>	<b>Data</b>	<b>IEA</b>	<b>140% IBG</b>	<b>140% RSBG</b>	<b>Per-ANB</b>	<b>Per-ANB Min</b>	<b>Per-ANB Max</b>	<b>ESA Amt Min</b>	<b>ESA Amt Max</b>
<b>FY2023</b>	\$22.29	\$23.28	\$213.46	\$71.15	\$5,962.00	\$4,769.60	\$5,962.00	<b>\$5,099.78</b>	<b>\$6,292.18</b>
<b>FY2024</b>	\$22.89	\$23.91	\$215.89	\$71.96	\$6,123.00	\$4,898.40	\$6,123.00	<b>\$5,233.05</b>	<b>\$6,457.65</b>
<b>FY2025</b>	\$23.58	\$24.63	\$222.38	\$74.13	\$6,307.00	\$5,045.60	\$6,307.00	<b>\$5,390.32</b>	<b>\$6,651.72</b>
<b>FY2026</b>	\$24.29	\$25.37	\$229.05	\$76.36	\$6,496.00	\$5,196.80	\$6,496.00	<b>\$5,551.87</b>	<b>\$6,851.07</b>
<b>FY2027</b>	\$24.82	\$25.92	\$234.01	\$78.01	\$6,637.00	\$5,309.60	\$6,637.00	<b>\$5,672.36</b>	<b>\$6,999.76</b>

<b>High School Programs</b>									
<b>Fiscal Year</b>	<b>Data</b>	<b>IEA</b>	<b>140% IBG</b>	<b>140% RSBG</b>	<b>Per-ANB</b>	<b>Per-ANB Min</b>	<b>Per-ANB Max</b>	<b>ESA Amt Min</b>	<b>ESA Amt Max</b>
FY2023	\$22.29	\$23.28	\$213.46	\$71.15	\$7,634.00	\$6,107.20	\$7,634.00	<b>\$6,437.38</b>	<b>\$7,964.18</b>
FY2024	\$22.89	\$23.91	\$215.89	\$71.96	\$7,840.00	\$6,272.00	\$7,840.00	<b>\$6,606.65</b>	<b>\$8,174.65</b>
FY2025	\$23.58	\$24.63	\$222.38	\$74.13	\$8,075.00	\$6,460.00	\$8,075.00	<b>\$6,804.72</b>	<b>\$8,419.72</b>
FY2026	\$24.29	\$25.37	\$229.05	\$76.36	\$8,317.00	\$6,653.60	\$8,317.00	<b>\$7,008.67</b>	<b>\$8,672.07</b>
FY2027	\$24.82	\$25.92	\$234.01	\$78.01	\$8,497.00	\$6,797.60	\$8,497.00	<b>\$7,160.36</b>	<b>\$8,859.76</b>

24. For the purposes of this fiscal note, all estimates will be calculated on the average of the minimum and maximum student amounts and an average will be taken between elementary and high school programs.
25. New Section 14 establishes a state special revenue public charter school account to be administered by the board for the purpose of accounting for gifts, grants, legacies, devices, and donations in association with public charter schools. The section identifies a prohibition on donations being given directly to public charter schools.

26. Transition and effective dates language is provided for applicability to FY 2024 and that public charter schools may be operational beginning FY 2025.

**Board of Public Education (board)**

27. The board will need to hire two additional FTE to provide the required workload of HB 549. These positions would be a Program Specialist 2 at entry level salary and benefits of \$73,138 and a Budget Analyst 2 at entry level salary and benefits of \$68,428. One-time equipment costs of \$1,600 each and \$1,200 one-time costs for computer package for each are included. Salary and benefits are inflated by 1.5% per year in FY 2026 and FY 2027.

**Office of Public Education (OPI)**

28. For purposes of this fiscal note, it will be estimated that five public charter schools will be established for operation in FY 2025. The following table indicates the estimated student amounts and basic entitlement for each program.

Public Charter School Type	Program	Students Attending	Student Amount Est for FY 2025	Basic Entitlement	Total
Public Charter A	Elementary	100	\$593,630	\$58,963	\$652,593
Public Charter B	Elementary	60	\$356,178	\$0.00	\$356,178
Public Charter C	Middle	25	\$188,188	\$117,928	\$306,116
Public Charter D	High School	50	\$376,375	\$0.00	\$376,375
Public Charter E	High School	30	\$225,825	\$353,787	\$579,612
<b>TOTAL</b>		<b>265</b>	<b>\$1,740,196</b>	<b>\$530,678</b>	<b>\$2,270,874</b>

29. These amounts will be funded with state and local levy funds. These amounts will be directed to the public charter schools from the school district funds and not directly from the state.

30. Additional state costs in this fiscal note are related to the additional basic entitlements. The state pays 44.7% of the basic entitlement and local property taxes pay the balance.

31. State and local levies may increase as additional public charter schools are created.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE (Board)	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Local Assist (Direct State Aid)	\$0	\$237,213	\$244,330	\$249,632
Personal Services (Board)	\$116,270	\$116,270	\$118,014	\$119,784
Benefits (Board)	\$25,296	\$25,296	\$25,675	\$26,061
Equipment (Board)	\$5,600	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$147,166</u>	<u>\$378,779</u>	<u>\$388,019</u>	<u>\$395,477</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$147,166	\$378,779	\$388,019	\$395,477
<b>TOTAL Funding of Exp.</b>	<u>\$147,166</u>	<u>\$378,779</u>	<u>\$388,019</u>	<u>\$395,477</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)	(\$147,166)	(\$378,779)	(\$388,019)	(\$395,477)

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

1. Local levies could increase by approximately \$403,000 beginning in FY 2025 and \$416,000 annually in future years.
2. The five located school districts where it is assumed in this fiscal note public charter schools are located would be required by this bill to pay \$2.3 million of the school districts’ budgets toward the public charter schools.

**Technical Notes:**

**Board of Public Education (board)**

1. As written, HB 549 requires the board to collect and analyze data from each school. The board does not have a mechanism to collect and analyze student data. Typically, these activities are performed by the Office of Public Instruction and this may be a more appropriate agency to perform these functions.
2. The bill requires the board to monitor performance and legal compliance of each school. The board does not have legal counsel on staff to perform such duties. The Office of Public Instruction does have legal counsel on staff and would be more equipped to handle these functions.

**Office of Public Instruction**

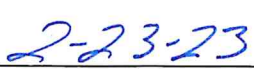
3. It is unclear what is to be done if all the students attend the charter and the local public school enrolls no students.
4. The bill identifies the charter as an independent local educational agency. The local educational agency entity is synonymous with school district in the state of Montana. In accordance with section 20-6-104, MCA, there is a moratorium on the creation of new districts. This may conflict with the bill proposal.

5. The bill does not specify that these new public charter schools are required to operate outside of the main host district. Lacking this requirement could lead to the incentivization to create new LEAs within the main district for the purpose of garnering an additional basic entitlement.
6. It is unclear as to the process for Title I distribution for the newly developed entities.
7. It is unclear the affect of this legislation on services a school district is to provide to all students. Is it the responsibility of the located school district to provide services or is it the responsibility of the public charter school?

  
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Sponsor's Initials

  
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Date

  
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Budget Director's Initials

  
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