



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0009 - Prohibit school districts operating schools outside district boundaries (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 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>
Expenditures:				
General Fund	\$18,240	\$66,508	(\$9,971)	(\$22,897)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$18,240)</u>	<u>(\$66,508)</u>	<u>\$9,971</u>	<u>\$22,897</u>

Description of fiscal impact: SB 9 clarifies law so that a school district may not operate a school or offsite instructional setting outside the boundaries of the school district. This bill has a general fund cost of \$85,748 in the 2025 biennium and reduced costs in years beyond FY 2025.

FISCAL ANALYSIS

Assumptions:

- This bill identifies that a Board of Trustees of a school district may not operate a school or offsite instructional setting outside of the school district boundaries but does not prohibit the formation of multidistrict agreements provided for under section 20-3-363, MCA, or limit offsite educational services provided for under section 20-7-118, MCA.
- Section 20-7-118, MCA, allows for offsite educational services by school districts and limits what services pupils can be provided at these locations.
- 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.

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
K-6 ANB	83,565	84,417	85,144	85,785	86,208
7-8 ANB	24,441	24,430	24,750	24,888	25,256
9-12 ANB	<u>45,905</u>	<u>46,573</u>	<u>46,532</u>	<u>46,539</u>	<u>46,287</u>
Total	153,911	155,420	156,426	157,212	157,751

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

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
School District FTE	13,365.497	13,365.497	13,365.497	13,365.497	13,365.497
Special Ed Coop FTE	165.709	165.709	165.709	165.709	165.709
Total FTE	13,531.206	13,531.206	13,531.206	13,531.206	13,531.206

5. The present law inflation applied to the Basic and Per-ANB Entitlements, the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data-for-Achievement, At Risk, and the Special Education Allowable Cost Payment components (20-9-326, MCA) is 2.70% in FY 2024 and 3.00% in FY 2025. For the present law budget, entitlements and components are set as follows:

<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

<u>Basic Entitlement Increments</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary (each 25 ANB > 250 ANB)	\$2,788	\$2,863	\$2,949	\$3,037	\$3,103
Middle School (each 45 ANB > 450 ANB)	\$5,574	\$5,724	\$5,896	\$6,073	\$6,205
High School (each 80 ANB past 800 ANB)	\$16,723	\$17,175	\$17,690	\$18,221	\$18,616

<u>Per ANB Entitlements</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Per-ANB	\$5,962	\$6,123	\$6,307	\$6,496	\$6,637
High School Per-ANB	\$7,634	\$7,840	\$8,075	\$8,317	\$8,497
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

<u>Components</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Indian Education for All	\$23.28	\$23.91	\$24.63	\$25.37	\$25.92
Indian Achievement Gap	\$229	\$235	\$242	\$249	\$254
Quality Educator	\$3,472	\$3,566	\$3,673	\$3,783	\$3,865
At Risk	\$5,873,777	\$6,032,369	\$6,213,340	\$6,399,740	\$6,538,614
Data for Achievement	\$22.29	\$22.89	\$23.58	\$24.29	\$24.82
Special Education Allowable Cost	\$286.02	\$293.74	\$302.55	\$311.63	\$318.39

6. 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, At-Risk and Special Education Allowable Cost components in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

<u>Payment</u>	<u>FY 2024</u>	<u>FY 2025</u>
Direct State Aid	\$522.8 million	\$540.5 million
Guaranteed Tax Base Aid	\$259.9 million	\$290.3 million
County Retirement GTB	\$50.9 million	\$52.9 million
Indian Education for All	\$3.7 million	\$3.9 million
American Indian Achievement Gap	\$4.9 million	\$5.0 million
Quality Educator	\$48.3 million	\$49.7 million
Data for Achievement	\$3.6 million	\$3.7 million
Special Education Allowable Cost	\$45.7 million	\$47.3 million

7. Direct State Aid, GTB, and other school district 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.
8. The At-Risk Student payment inflation increase of \$158,592 in FY 2024 and \$339,563 in FY 2025 will be appropriated in HB 2.
9. The statewide present law taxable valuations are forecast to increase by 19.55% in FY 2024 and 1.74% in FY 2025.
10. For the purposes of this fiscal note, it is estimated that there are five non-located schools or offsite instructional settings that will be affected by SB 9. All are elementary school budget units with the following estimated FY 2024 current year (CY) ANB.

Claiming District	Estimated CY ANB
District A	24
District B	13
District C	18
District D	10
District E	<u>28</u>
TOTAL	93

11. It is further assumed that the “located” district will recognize and enroll the students and, where applicable, acknowledge the education site as a school of the district. Where possible, consideration has been made for budget units permitted under section 20-9-311(8)(a), MCA, should the district school be located more than 20 miles from another school of the district.
12. Ninety-three additional ANB funded at the rates indicated in the previous assumptions would cost the state general fund as provided in the following table.

	<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>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Local Assistance (Direct State Aid)	\$70,164	\$36,472	(\$5,933)	(\$6,062)
Local Assistance (Guarantee Tax Base Aid)	(\$50,887)	\$34,326	\$4,729	(\$8,797)
Local Assistance (Indian Ed for All)	\$622	\$320	(\$51)	(\$52)
Local Assistance (Special Education)	\$0	(\$303)	(\$623)	(\$637)
Local Assistance (Data for Achieve)	\$595	\$307	(\$49)	(\$50)
Local Assistance (Retirement GTB)	(\$2,254)	(\$4,614)	(\$8,044)	(\$7,299)
TOTAL Expenditures	<u>\$18,240</u>	<u>\$66,508</u>	<u>(\$9,971)</u>	<u>(\$22,897)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$18,240</u>	<u>\$66,508</u>	<u>(\$9,971)</u>	<u>(\$22,897)</u>
TOTAL Funding of Exp.	<u>\$18,240</u>	<u>\$66,508</u>	<u>(\$9,971)</u>	<u>(\$22,897)</u>
<u>Revenues:</u>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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)	(\$18,240)	(\$66,508)	\$9,971	\$22,897

Effect on County or Other Local Revenues or Expenditures:

- Local school property taxes could increase for affected school districts by approximately \$108,000 in FY 2024 with a diminishing property tax impact in future years because there would be no GTB distribution in the initial year for districts with new budget units. GTB subsidy per BASE mill is determined from the prior year Basic and Per-ANB entitlements and the Special Education Allowable Cost.

NO SPONSOR SIGNATURE

_____ *1/6/23* _____ *[Signature]* _____ *1-2-23*
 Sponsor's Initials Date Budget Director's Initials Date