



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0036 - Revising school funding laws related to enrollment increases (Bedey, David )

**Status:** As Introduced - Revised

- 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>
<b>Expenditures:</b>				
General Fund	\$60,288	\$299,696	\$415,635	\$767,546
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$60,288)</u>	<u>(\$299,696)</u>	<u>(\$415,635)</u>	<u>(\$767,546)</u>

**Description of fiscal impact:** HB 36 revises procedures for school district enrollment increases by creating a *significant enrollment increase payment* associated with the October enrollment collection directed through section 20-9-311, MCA, and repeals the anticipated enrollment increase mechanism provided for in section 20-9-314, MCA. This bill is projected to cost the state general fund approximately \$360,000 in the 2025 biennium.

### FISCAL ANALYSIS

**Assumptions:**

- HB 36 repeals 20-9-314, MCA, which provides procedures for determining eligibility and amount of increased average number belonging (ANB) due to unusual enrollment increase. The bill also removes statutory references to that section of law in 20-3-106, 20-9-141, 20-9-308, and 20-9-313, MCA.
- HB 36 modifies section 20-9-166, MCA, to allow significant enrollment increase (SEI) payments described in assumptions 3 through 8 of this fiscal note.
- School districts that experience an enrollment increase based on the October enrollment count in the current year converted to ANB must be greater than the budget limitation ANB for the fiscal year three years prior by 10%.

4. The Office of Public Instruction (OPI) must determine by December 1 each year following the October enrollment count the school districts that qualify for a SEI payment. OPI must notify schools by December 15<sup>th</sup> of each year of their eligibility for an SEI payment.
5. The SEI payment is described in this bill as an amount that is the difference between 80% of the district’s total per-ANB entitlement for that fiscal year using the most current October enrollment count minus the “absorption factor”, and 80% of the district’s initial per-ANB entitlement for that fiscal year.
6. Absorption factor is defined as an ANB amount rounded to the nearest whole number equal to the sum of five ANB plus 3% of the district’s budget limit ANB for that fiscal year. As an example, the following table illustrates this amount based on standard increments:

(A) Total ANB	(B) Base Absorption = 5	(C) Absorption % 3% of A	(D) Absorption Requirement = B + C
1	5	0	5
10	5	0	5
100	5	3	8
1,000	5	30	35
10,000	5	300	305

7. The trustees of a SEI payment qualifying district are to notice OPI of acceptance of all or partial amount of the allowable SEI payment no later than March 1. A school district general fund budget amendment must be provided to the OPI and, upon successful completion of the budget amendment process, the OPI is to begin distribution of the SEI payments using appropriation authority from the BASE aid appropriation in HB 2 in the following months that direct state aid is distributed to schools by OPI.
8. For the purposes of this fiscal note the unadjusted FY 2023 October enrollment count equals 149,794 and translates to an ANB total of 155,352. This is equivalent to an ANB based on the most recent year October enrollment count converted to ANB described in section 3 of HB 36 under modified section 20-9-166(2)(b), MCA.
9. The total number of districts with a 10% increase over the budget limit ANB from three years prior when compared to the most recent October 2022 enrollment count converted to ANB is displayed by budget unit in column C in the following table.
10. Applying the absorption factor of five to the October enrollment count based ANB and measuring the difference to the FY 2023 budget limit ANB adjusts the total of SEI payment district budget units to 56 with a statewide ANB increase of 562. This is detailed by budget unit in the following table in columns E & F.

(A) Budget Unit	(B) State Total Budget Unit Count	(C) Qualifying Budget Unit Count 110%	(D) % Of Total	(E) Qualified SEI Districts after Absorption Factor is Applied	(F) Total of Qualified ANB increase
E1 (Elementary)	297	98	33%	28	300
E2 (Elementary)	7	3	43%	0	0
E3 (Elementary)	4	1	25%	0	0
E4 (Elementary)	1	0	N/A	0	0
M1 (Middle School)	207	56	27%	11	78
H1 (High School)	162	46	28%	0	0
H2 (High School)	1	0	N/A	17	184

11. For the purposes of this fiscal note, October enrollment count based ANB is based on the FY 2023 fall count ANB inflated by enrollment projections in future years for elementary school, middle school, and high school budget units. There will be unpredictable variation in enrollment unrelated to the assumptions used in this fiscal note.

12. Per-ANB rates are projected as follows:

Fiscal Year	Elementary Per-ANB entitlement	Elementary 80% Per-ANB	High School Per-ANB entitlement	High School 80% Per-ANB
2024	\$6,123	\$4,898.40	\$7,840	\$6,272.00
2025	\$6,307	\$5,045.60	\$8,075	\$6,460.00
2026	\$6,496	\$5,196.80	\$8,317	\$6,653.60
2027	\$6,637	\$5,309.60	\$8,497	\$6,797.60

13. The OPI currently estimates \$3.5 million annually for unusual enrollment increases in most fiscal years associated with sections 20-9-314 & 20-9-166, MCA, excepting FY 2022 & FY 2023 when the legislature suspended these sections of statute through the action of HB 630 (2021 Session).

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Local Assistance (DSA)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)
Local Assistance (SEI)	\$3,560,288	\$3,799,696	\$3,915,635	\$4,267,546
<b>TOTAL Expenditures</b>	<u>\$60,288</u>	<u>\$299,696</u>	<u>\$415,635</u>	<u>\$767,546</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$60,288	\$299,696	\$415,635	\$767,546
<b>TOTAL Funding of Exp.</b>	<u>\$60,288</u>	<u>\$299,696</u>	<u>\$415,635</u>	<u>\$767,546</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>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	(\$60,288)	(\$299,696)	(\$415,635)	(\$767,546)
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**Effect on County or Other Local Revenues or Expenditures:**

1. The termination of section 20-9-314, MCA, anticipated enrollment increases, will have a property tax savings. Between fiscal years 2014 and 2021, on average, 4 districts who applied for the anticipated enrollment increase program materialized the full amount of anticipated enrollment, totaling approximately 295 ANB. This equates to approximately (\$290,000) in property tax savings over the next four fiscal years.

**Technical Notes:**

1. ARM 10.21.102(4) on December 31, states: The official count of enrolled students, as defined in ARM 10.15.101, is taken on the first Monday in October and the first Monday in February, or the next school day if those dates do not fall on a school day. Changes to the October enrollment count will not be accepted after December 31 except in cases of significant reporting error, as determined by the Superintendent of Public Instruction. ARM may need to be adjusted or the bill proposal may need to be modified as the bill indicates that calculations must be completed by December 1st.
2. The functioning unit of funding for school districts is the budget unit as defined in section 20-9-306(7), MCA. Under current statute the mechanisms associated with unusual enrollment increases in 20-9-166 and 20-9-314, MCA, operate using the budget unit as the functioning units in the associated formulas. Through the inception of the design of this bill concept and through interim committee hearings in 2021 and 2022, all presented materials have been described through budget unit. The OPI assumes the mechanism used in this bill draft to be based on budget unit where the bill refers to district.
3. Section 5 of HB 36 relates to the amount of oil and natural gas tax revenue a district can retain based on the district’s maximum general fund budget. This section changes statute to allow oil and natural gas tax revenue retention to be determined on the amount of ANB “eligible for a significant enrollment increase payment” ANB not on the amount of ANB adjusted for the SEI payment the district chose to accept.



Sponsor's Initials



Date



Budget Director's Initials



Date