



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0171 - Revise education laws related to residential treatment facilities (Bedey, David )

**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	\$1,926,630	\$1,724,815	\$1,725,993	\$1,727,188
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,926,630)</u>	<u>(\$1,724,815)</u>	<u>(\$1,725,993)</u>	<u>(\$1,727,188)</u>

**Description of fiscal impact:** HB 171 allows therapeutic group homes providing educational programs to children to be included as qualifying facilities eligible to receive in-state treatment payments. The general fund cost to the state will be \$2.0 million in FY 2024 and \$1.8 million in FY 2025.

### FISCAL ANALYSIS

**Assumptions:**

1. HB 171 directs the Office of Public Instruction (OPI) to adopt rules in 20-7-419, MCA, to include therapeutic group homes, as defined in the bill, as qualifying facilities to receive in-state treatment state funding, as referred to in 20-7-435 and 436, MCA, for providing education programming for eligible children.
2. Statute currently directs that contracts for education programming can be made between OPI and children's psychiatric hospitals, residential treatment facilities, and public schools all defined in statute. This bill adds and defines therapeutic group homes as qualifying facilities.
3. Current law directs a payment for education services to a qualifying facility. The Superintendent of Public Instruction is to establish "a daily rate per eligible child for each hospital or qualifying facility that reflects actual documented costs of providing an appropriate educational opportunity at the hospital or facility and that excludes the cost of services that are eligible for reimbursement under any provision of state or federal

- law or an insurance policy not to exceed 100% of the tuition per-ANB amount as defined in 20-5-323 divided by 180”.
4. HB 171 removes the cap, “not to exceed 100% of the tuition per-ANB amount as defined in 20-5-323 divided by 180” from the calculation.
  5. The payment as directed by this legislation would then be the calculation determined in assumption #3 minus any tuition paid by the school district of residence as further directed in 20-7-435(3)(c), MCA
  6. Five new qualifying facilities are expected to offer education services on site the first year. Qualifying facilities currently contracting with OPI are not expected to change services.
  7. It is estimated that the enrollment for educational programs in the new qualifying facilities will equal 75% of the number of licensed beds per qualified facility, based on actual utilization of current qualified facilities.
  8. OPI would provide the following services to assure in-state treatment distributions meet statutory requirements:
    - a. Consult with school districts and qualifying facilities to determine appropriate educational opportunities for all eligible children.
    - b. Define and conduct cost studies of educational programs for all qualifying facilities to validate and set accurate daily rates.
    - c. Perform an evaluation of education programs at qualifying facilities annually.
  9. For purposes of this fiscal note, it is assumed that qualifying facilities currently receiving in-state treatment payments would bill for the same number of days billed in FY 2022 and new qualifying facilities would bill 210 days for 75% of licensed number of beds with the same K-8 and 9-12 grade demographics as currently qualifying facilities.
  10. This fiscal note also assumes current qualifying facilities would bill a daily rate in FY 2024 equal to rates calculated in preliminary rate analysis from reported educational costs. New qualifying facilities would have an actual rate equal to the average of the two smaller current qualifying facilities.
  11. The number of billable education days is projected to remain equal based on known capacity and historical data. Qualifying facilities do not serve all students for the same number of days. Educational days in qualifying facilities range from a maximum of 180 – 253 days served. Some qualifying facilities serve a student only 90 days.
  12. In current law and not proposed to change, the child’s school district of residence is to pay each qualifying facility a daily rate of 40% of the tuition per-ANB amount as defined in 20-5-323, MCA, divided by 180 (days). The tuition per ANB calculation will increase each year based on inflationary adjustments to the established per-ANB inflation adjustments.
  13. In-state treatments payments are made by OPI to qualifying facilities as invoiced each month during the fiscal year.
  14. The bill’s effective date is July 1, 2023, which is the first day of FY 2024. Section 7 of the bill states that the applicability of the bill applies to school years and years of attendance beginning on or after July 1, 2023.
  15. Payments for in-state treatment to the new qualifying facilities would begin in FY 2024 for students attending and receiving educational services in FY 2024. Rates also change per this legislation for current qualifying facilities and would be effective for attendance and payments in FY 2024.
  16. The following table shows the anticipated in-state treatment state general fund cost for FY 2024.

In-State Treatment Distribution Projected for 2023-2024 School Year							
FACILITY	Annual Educational Days	Current District of Residence Portion (40% of tuition per ANB amount)	Projected Facility Rate	Projected State Portion of Rate (Projected facility rate - DOR rate)	Total Payments (Total days X Proj Facility Rate)	District of Residence Distribution	In-State Treatment Payments
Grades K-8 facilities (current)*	7,414	\$13.48	\$83.97 - \$149.72	\$66.87 - \$136.24	\$815,723	\$115,891	\$699,832
Grades 9-12 facilities (current)*	8,392	\$17.10	\$83.97 - \$147.35	\$66.87 - \$130.25	\$849,690	\$143,504	\$706,187
Grades K-8 facilities (new)	5,174	\$13.48	\$148.54	\$136.06	\$768,606	\$69,751	\$698,855
Grades 9-12 facilities (new)	6,585	\$17.10	\$148.54	\$131.44	\$978,136	\$112,604	\$865,533
TOTAL	27,565			TOTAL	\$3,412,155	\$441,750	\$2,970,407

17. State tuition payments are paid in the year following the year of attendance, so payments for qualifying student attendance in FY 2023 will be paid by OPI in FY 2024 per current law. Per HB 171, state tuition for FY 2024 student attendance will be paid in FY 2024. The total state tuition payment would be less in FY 2025 because adding therapeutic group homes to the qualifying facilities that can receive the in-state treatment payment will decrease the state tuition payments and increase the funding needed for in-state treatment payments. This shift is expected to reduce general fund spending in the restricted state tuition appropriation beginning in FY 2025 by \$199,015 per year.
18. OPI currently has base appropriation authority requested in HB 2 for in-state treatment payments of \$1,124,077 for each year of the 2025 biennium and \$259,926 requested each year for state tuition payments.
19. The additional cost of in-state treatment for FY 2024 and each succeeding year would be \$1,845,330.
20. The reduction of \$199,015 from the current base authority or \$259,926 for state tuition would leave appropriation authority at \$60,911.
21. OPI requests 1.00 FTE for a program specialist to manage the in-state treatment payments and the state tuition payments and oversight of both programs costing \$78,500 for salary and benefits. The agency requests funding for a new employee office package for \$2,800 in FY 2024 only.
22. Personal services costs will remain the same in FY 2024 and FY 2025 and grow by 1.5% each year after.

	<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>				
FTE	1.00	1.00	1.00	1.00
<b><u>Expenditures:</u></b>				
Personal Services	\$78,500	\$78,500	\$79,678	\$80,873
Operating Expense	\$2,800	\$0	\$0	\$0
In-State Treatment	\$1,845,330	\$1,845,330	\$1,845,330	\$1,845,330
State Tuition	\$0	(\$199,015)	(\$199,015)	(\$199,015)
<b>TOTAL Expenditures</b>	<u>\$1,926,630</u>	<u>\$1,724,815</u>	<u>\$1,725,993</u>	<u>\$1,727,188</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>\$1,926,630</u>	<u>\$1,724,815</u>	<u>\$1,725,993</u>	<u>\$1,727,188</u>
<b>TOTAL Funding of Exp.</b>	<u>\$1,926,630</u>	<u>\$1,724,815</u>	<u>\$1,725,993</u>	<u>\$1,727,188</u>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<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)	(\$1,926,630)	(\$1,724,815)	(\$1,725,993)	(\$1,727,188)



Sponsor's Initials

1/16/2023

Date



Budget Director's Initials

1-14-23

Date