



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0257 - Revise education laws related to advanced opportunities program (Sprunger, Courtenay)

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>
Expenditures:				
General Fund	\$4,000,000	\$4,000,000	\$2,510,535	\$2,699,514
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$4,000,000)</u>	<u>(\$4,000,000)</u>	<u>(\$2,510,535)</u>	<u>(\$2,699,514)</u>

Description of fiscal impact: HB 257 expands personalized learning opportunities in K-12 public schools in association with the Advanced Opportunities Aid Program and provides an \$8 million biennial appropriation. HB 2 also appropriates \$7.5 million for this program.

FISCAL ANALYSIS

Assumptions:

- HB 257, Section 1, modifies the funding formula for advanced opportunities aid payments to K-12 school districts as follows:
 - elementary districts qualify for 4.5% of the district's prior year total quality educator payment.
 - High school districts qualify for 30% of the district's prior year total quality educator payment.
 - K-12 districts qualify for 18% of the district's prior year total quality educator payment.
- Current law provides; elementary 3%, high school 20%, and K-12 districts 8.5% of the prior year quality educator payment as advanced opportunities aid payments for those school districts that apply and are chosen for the funding.
- Quality educator component payments are anticipated to be based on a per FTE rate as indicated in the following table:

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
QEC	\$3,472	\$3,566	\$3,673	\$3,783	\$3,865

4. District FTE is estimated as follows:

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Elementary	7,914	7,914	7,914	7,914	7,914
High School	3,171	3,171	3,171	3,171	3,171
K-12	2,280	2,280	2,280	2,280	2,280
Total	13,365	13,365	13,365	13,365	13,365

5. The following table includes the count of districts enrolled in the program and total annual distributions for FY 2021 through FY 2023.

	FY 2021		FY 2022		FY 2023	
	# of districts funded	Amount Distributed	# of districts funded	Amount Distributed	# of districts funded	Amount Distributed
Elementary	5	\$196,207	14	\$251,860	22	\$307,272
High School	5	\$553,793	16	\$948,668	26	\$1,226,574
K - 12	0	\$0	9	\$114,952	14	\$225,782
Total	10	\$750,000	39	\$1,315,480	62	\$1,759,628
Growth over the prior year			290%		59%	

6. Appropriation authority for FY 2021 was \$750,000 and limited the number of districts and amount of funding that could be distributed. In FY 2022, the biennial appropriation was \$1,673,558 and \$1,315,480 was distributed. In FY 2023, the appropriation was \$2,447,973 plus the difference not distributed in FY 2022 of \$358,078 and distribution will be \$1,759,628 leaving a balance of the appropriation to be reverted to the state general fund at the end of FY 2023 of \$1,146,423.

7. If the percentages in HB 257 had been in place for FY 2021 through FY 2023, the total distribution in each year of the 2023 biennium would have been more, however, fewer districts would have received funding as shown in the table below compared to the previous table.

	FY 2021		FY2022		FY2023	
	# of districts funded	Amount Distributed	# of districts funded	Amount Distributed	# of districts funded	Amount Distributed
Elementary	4	\$231,222	7	\$315,136	19	\$440,968
High School	4	\$518,778	9	\$1,235,900	21	\$1,749,889
K - 12	0	\$0	7	\$122,521	12	\$357,115
Total	8	\$750,000	23	\$1,973,558	52	\$2,547,973
Growth over the prior year			188%		126%	

8. Section 2 of the bill removes the limit on the number of districts who qualify for advanced opportunities aid based on the appropriation which would then allow all districts to be eligible to apply. Also removed is the language directing the requirements for order and priority associated with future year appropriations.
9. The percent of a district's annual distribution of advanced opportunity aid to be spent to address a pupil's out-of-pocket costs adjusts from 60% to 75% in this bill. This will increase funding to students and decrease the amount of funding at the discretion of the district trustees for advanced opportunity purposes.
10. The bill expands permissible expenditures by the district of these funds to include: *costs of participation for qualifying pupils in out-of-school enrichment activities that, in the discretion of the trustees, advance the pupil's opportunity for postsecondary career and educational success.*
11. This legislation requires the Superintendent of Public Instruction to include funding for advanced opportunity aid to support the participation of pupils in grades 6 through 12 in all districts. For purposes of this fiscal note, it is assumed that of the elementary districts that serve grades kindergarten through 8th grade, 25% of the FTE are serving grades 6, 7, & 8 at those districts.
12. Other factors that may influence increases to future distributions are expanded interest in the program, inflationary adjustments to BASE aid, growth in FTE staff, and the TEACH act (initiated through HB 143, 2021 Session).
13. The following table assumes all K-12 school districts in the state would apply for advanced opportunity aid funding per HB 257 and receive the payments each year.

	FY 2024	FY 2025	FY 2026	FY 2027
Elementary	\$1,236,462	\$1,269,937	\$1,308,043	\$1,347,216
High School	\$3,303,372	\$3,392,807	\$3,494,610	\$3,599,267
K-12	\$1,425,031	\$1,463,612	\$1,507,529	\$1,552,677
Total	\$5,964,865	\$6,126,356	\$6,310,181	\$6,499,160

14. HB 257 provides a biennial appropriation of \$8.0 million from the state general fund for the distribution of advanced opportunity aid. The superintendent is directed to estimate an allocation sufficient for distribution in each year of the 2025 biennium in accordance with the definition of advanced opportunity aid pursuant to section 20-7-1503, MCA.
15. HB 2 includes appropriation for advanced opportunities aid of \$3,699,487 in FY 2024 and \$3,799,646 in FY 2025. The following table shows the cost of advanced opportunities aid per changes in HB 257 minus the current HB 2 appropriations, which are reflect current law, resulting in the new costs for advanced opportunities aid per HB 257.

	FY 2024	FY 2025	FY 2026	FY 2027
HB 257 proposed (total)costs	\$5,964,865	\$6,126,356	\$6,310,181	\$6,499,160
Less HB 2 appropriations	<u>(\$3,699,487)</u>	<u>(\$3,799,646)</u>	<u>(\$3,799,646)</u>	<u>(\$3,799,646)</u>
New costs related to HB 257	\$2,265,378	\$2,326,710	\$2,510,535	\$2,699,514

16. Total funds appropriated for the 2025 biennium between HB 2 and HB 257 would be \$15,499,133 with maximum expenditures of \$12,091,221.

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance	\$2,265,378	\$2,326,710	\$2,510,535	\$2,699,514
Unallocated	\$1,734,622	\$1,673,290	\$0	\$0
TOTAL Expenditures	\$4,000,000	\$4,000,000	\$2,510,535	\$2,699,514
<u>Funding of Expenditures:</u>				
General Fund (01)	\$4,000,000	\$4,000,000	\$2,510,535	\$2,699,514
TOTAL Funding of Exp.	\$4,000,000	\$4,000,000	\$2,510,535	\$2,699,514
<u>Revenues:</u>				
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)	(\$4,000,000)	(\$4,000,000)	(\$2,510,535)	(\$2,699,514)
-------------------	---------------	---------------	---------------	---------------

Effect on County or Other Local Revenues or Expenditures:

1. Currently law language associated with the advanced opportunity aid allows a school district to use supplemental funding with matched expenditures from its adopted adult education budget, not to exceed 25% of the district's advanced opportunity aid. Increases associated with advanced opportunities aid formula as indicated in this bill could impact local property taxes in a school district's adult education fund.

Technical Notes:

1. HB 257 requires the Superintendent of Public Instruction to include in future budget requests, an amount of advanced opportunity aid to support the participation of pupils in grades 6 through 12 in all districts however, the funding formula for advanced opportunity aid is made for all FTE in all K-8 grades.
2. Coordination between HB 2 appropriations and this bill is necessary.

	<u>1-25-22</u>		<u>1-23-23</u>
Sponsor's Initials	Date	Budget Director's Initials	Date