



School Funding Interim Commission

64th Montana Legislature

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TO: School Funding Interim Commission
FROM: Pad McCracken, Research Analyst
RE: LCs SE01, SE02, and SE03 -- bill drafts for increasing the state special education payment
DATE: May 26, 2016

Enclosed are three bill drafts, all of which increase the state special education payment. Because of federal maintenance of effort requirements on state special education spending, all of these appropriation increases would need to be maintained, so would not be OTOs but increase the base special education payment for the next biennium. None of the drafts add the special education payment to the components that are "automatically" adjusted for inflation. Dollar amounts below are ballpark figures. These proposals raise district BASE budgets, resulting in slight GTB and local levy increases; more detailed fiscal analysis will be provided at your June 13 meeting.

LC SE01 -- Increases special education payment by inflation (\$2 million for 2019 biennium; helps districts and coops)

LC SE02 -- Increases special education payment by inflation + \$2 million annually for coops through appropriation and changes in distribution % (\$6 million for 2019 biennium; helps districts and coops, but coops more)

LC SE03 -- Increases special education payment by \$2 million annually for coops through appropriation and changes in distribution % (\$4 million for 2019 biennium; helps coops; district funding amounts relatively unchanged)

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As of: May 26, 2016 (1:47pm)

LCSE01

**** Bill No. ****

Introduced By *****

By Request of the *****

A Bill for an Act entitled: "An Act increasing the special education allowable cost payment; providing an appropriation; and providing an effective date."

Be it enacted by the Legislature of the State of Montana:

NEW SECTION. **Section 1. Appropriation.** The following money is appropriated from the state general fund to the office of public instruction for the purpose of increasing the special education allowable cost payment:

FY 2018	\$587,620
FY 2019	\$1,065,895

NEW SECTION. **Section 2. {standard} Effective date.** [This act] is effective on July 1, 2017.

- END -

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As of: May 26, 2016 (1:47pm)

LCSE02

**** Bill No. ****

Introduced By *****

By Request of the *****

A Bill for an Act entitled: "An Act revising funding for special education; increasing and revising the distribution of the special education allowable cost payment; providing an appropriation; and providing an effective date."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 20-9-321, MCA, is amended to read:

"20-9-321. Allowable cost payment for special education.

(1) As used in this section, "ANB" means the current year ANB.

(2) The 3-year average ANB provided for in 20-9-311 does not apply to the calculation and distribution of state special education allowable cost payments provided for in this section.

(3) For the purpose of establishing the allowable cost payment for a current year special education program for a school district, the superintendent of public instruction shall determine the total special education payment to a school district, cooperative, or joint board for special education services formed under 20-3-361 prior to July 1, 1992, using the following factors:

(a) the district ANB student count as established pursuant to 20-9-311 and 20-9-313;

(b) a per-ANB amount for the special education

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LCSE02

instructional block grant;

(c) a per-ANB amount for the special education-related services block grant;

(d) an amount for cooperatives or joint boards meeting the requirements of 20-7-457, to compensate for the additional costs of operations and maintenance, travel, supportive services, recruitment, and administration; and

(e) any other data required by the superintendent of public instruction to administer the provisions of this section.

(4) (a) The total special education allocation must be distributed according to the following formula:

(i) ~~52.5%~~ 50.2% through instructional block grants;

(ii) ~~17.5%~~ 16.7% through related services block grants;

(iii) ~~25%~~ 23.9% to reimbursement of local districts; and

(iv) ~~5%~~ 9.2% to special education cooperatives and joint boards for administration and travel.

(b) Special education allowable cost payments outlined in subsection (4)(a) must be granted to each school district and cooperative with a special education program as follows:

(i) The instructional block grant limit prescribed in subsection (4)(a)(i) must be awarded to each school district, based on the district ANB and the per-ANB special education instructional amount.

(ii) The special education-related services block grant limit prescribed in subsection (4)(a)(ii) must be awarded to each school district that is not a cooperative member, based on the district ANB and the per-ANB special education-related services

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LCSE02

amount, or to a cooperative or joint board that meets the requirements of 20-7-457. The special education-related services block grant amount for districts that are members of approved cooperatives or a joint board must be awarded to the cooperatives or joint board.

(iii) If a district's allowable costs of special education exceed the total of the special education instructional and special education-related services block grant plus the required district match required by subsection (6), the district is eligible to receive at least a 40% reimbursement of the additional costs. To ensure that the total of reimbursements to all districts does not exceed ~~25%~~ 23.9% of the total special education allocation limit established in subsection (4)(a)(iii), reimbursement must be made to districts for amounts that exceed a threshold level calculated annually by the office of public instruction. The threshold level is calculated as a percentage amount above the sum of the district's block grants plus the required district match.

(iv) Of the amount distributed under subsection (4)(a)(iv), three-fifths must be distributed based on the ANB count of the school districts that are members of the special education cooperative or joint board and two-fifths must be distributed based on distances, population density, and the number of itinerant personnel under rules adopted by the superintendent of public instruction.

(5) The superintendent of public instruction shall adopt rules necessary to implement this section.

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LCSE02

(6) A district shall provide a 25% local contribution for special education, matching every \$3 of state special education instructional and special education-related services block grants with at least one local dollar. A district that is a cooperative member is required to provide the 25% match of the special education-related services grant amount to the special education cooperative.

(7) The superintendent of public instruction shall determine the actual district match based on the trustees' reports. Any unmatched portion reverts to the state and must be subtracted from the district's ensuing year's special education allowable cost payment.

(8) A district that demonstrates severe economic hardship because of exceptional special education costs may apply to the superintendent of public instruction for an advance on the reimbursement for the year in which the actual costs will be incurred."

{*Internal References to 20-9-321:*
20-7-431 20-7-457 20-9-303 20-9-306
20-9-308 20-9-501 all OK}

NEW SECTION. **Section 2. Appropriation.** The following money is appropriated from the state general fund to the office of public instruction for the purpose of increasing the special education allowable cost payment:

FY 2018	\$2,587,620
FY 2019	\$3,087,895

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As of: May 26, 2016 (1:47pm)

LCSE02

NEW SECTION. **Section 3. {standard} Effective date.** [This act] is effective on July 1, 2017.

- END -

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As of: May 26, 2016 (1:48pm)

LCSE03

**** Bill No. ****

Introduced By *****

By Request of the *****

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(3) For the purpose of establishing the allowable cost payment for a current year special education program for a school district, the superintendent of public instruction shall determine the total special education payment to a school district, cooperative, or joint board for special education services formed under 20-3-361 prior to July 1, 1992, using the following factors:

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LCSE03

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LCSE03

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(iii) If a district's allowable costs of special education exceed the total of the special education instructional and special education-related services block grant plus the required district match required by subsection (6), the district is eligible to receive at least a 40% reimbursement of the additional costs. To ensure that the total of reimbursements to all districts does not exceed ~~25%~~ 23.9% of the total special education allocation limit established in subsection (4)(a)(iii), reimbursement must be made to districts for amounts that exceed a threshold level calculated annually by the office of public instruction. The threshold level is calculated as a percentage amount above the sum of the district's block grants plus the required district match.

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LCSE03

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FY 2019	\$2,000,000

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LCSE03

NEW SECTION. **Section 3. {standard} Effective date.** [This act] is effective July 1, 2017.

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