



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0266.02 (001): Establish education inflation reconciliation process

Primary Sponsor: Luke Muszkiewicz Status: As Amended in House Committee

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☒ Significant Local Gov Impact
☒ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 266 requires the Superintendent of Public Instruction report to interim committees in reference to altering the current inflation calculation when preparing and submitting an OPI BASE budget. . If HB 266, as amended, was passed and approved, and the recommended adjustments of the two interim committees were implemented at the full value of the inflation calculations, the state general fund expenses would increase by \$92.5 million beginning in FY 2029 and ongoing, and school property taxes would increase by \$14.6 million beginning FY 2029 and ongoing. Because the two interim committees can only recommend such adjustments and the governor nor the legislature are required to implement them, fiscal impacts are shown for information only.

FISCAL ANALYSIS

Assumptions

Legislative Branch

1. Section (2)(b) of HB 266 modifies 20-9-326, MCA for the Legislative Branch by requiring the Superintendent of Public Instruction to provide a report no later than September 1 to the Education Interim Budget Committee and the Education Interim Committee in accordance with 5-11-210, MCA, and providing reporting requirements.
2. This is part of normal duties of both legislative committees, so there is no fiscal impact to the Legislative Branch.
3. It is unknown how many bills are seeking to add to the duties of the Legislative Branch. The fiscal note of each bill is prepared based on the effect of each individual bill. However, when viewed as a package, the cumulative effect of passage of more than one bill would require additional analysis and may require additional resources for staffing and information technology support.

Office of Public Instruction

4. HB 266, as amended, adds to the calculation of inflation under section 20-9-326(2), MCA, an amount which may be added to the present law Base amount contingent on a motion of approval from both the Education Interim Budget Committee and the Education Interim Committees. This amount is described in Section 1, subsection 3, of HB 266, as amended.
5. The amount may be added to the currently defined annual inflation-related adjustments and applied to the year of the biennium to which such present law applies.
6. The additional amount is to be determined and reported to the Interim Education and Budget Committees as follows:
 - a. the increase in funding on a per-ANB basis for the K-12 BASE Aid elements represented in 20-9-306(2)(a) and (2)(c) through 2(h) budgeted to be provided to school districts in the first year of the current biennium and the five most recent past fiscal years, which must be reported in both dollar and percentage amounts.
 - b. the one-year percent change from July of the preceding year to July, in the consumer price index, U.S. city average, all urban consumers, for all items, as published by the bureau of labor statistics of the United States department of labor for the first fiscal year of the current biennium and each of the five most recent past fiscal years.
 - c. a 6-year cumulative numerical comparison of the difference between the percentages in (a) and (b) determined above. If the calculation results in a product that is positive, the amount described in the bill proposal that may incorporated in the calculation of present law base for the entitlements measured in section 20-9-306(2)(a) and (2)(c) through 2(h) for the second year of the biennium to which the present law applies.
7. Parts 20-9-306(2)(a) and (2)(c) through 2(h), MCA, include the following:
 - a. direct state aid
 - b. quality educator payment
 - c. at-risk student payment
 - d. Indian education for all payment
 - e. American Indian achievement gap payment
 - f. data-for-achievement payment
 - g. special education allowable cost payment.
8. For purposes of determining the amount that may be added, "consumer price index" means the consumer price index, U.S. city average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S. department of labor."
9. The current inflationary adjustments as described in section 20-9-326, MCA, are estimated as follows:

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Est Inflation	1.83%	1.50%	2.57%	2.70%	3.00%	3.00%	3.00%

7. Historic and projected entitlements of these funding components are provided in the following table along with estimated adjustments for the amount that may be added beginning with FY2029.


(continued)

10. Should the amount that may be added be approved by both interim committees listed in the bill proposal the estimated cost to the state general fund in FY2029 is as follows:

11. HB 266 states the the superintendent, the governor, nor the legislature are required to adopt the recommendations of the two interim committees in budget proposals. For this reason, the potential increased cost of such recommendations is provided as informational data only as the bill does not require the recommendations to be implemented.

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Sponsor's Initials

2/13/25

Date



Budget Director's Initials

2/13/2025

Date