



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0339.01: Fund 6th graders in middle school at high school ANB rates along with 7th and 8th graders**

Primary Sponsor: Melissa Romano Status: As Introduced

☐ 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</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$13,418,268	\$16,545,083	\$16,887,536	\$17,464,828
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$13,418,268)</u>	<u>(\$16,545,083)</u>	<u>(\$16,887,536)</u>	<u>(\$17,464,828)</u>
General Fund Balance				

Description of fiscal impact

HB 339 amends sections 20-9-306, & 20-9-311, MCA, allowing for the high school per-ANB and the middle school basic entitlement calculations to include 6th grade students when the student is enrolled in an accredited program. The cost to the state is \$30.0 million for the 2027 Biennium.

FISCAL ANALYSIS

Assumptions

- HB 339 amends section 20-9-306, MCA, to expand the formulas of, basic entitlement, and per-ANB entitlement to include 6th grade students when enrolled in an accredited program to be included in the funding levels respective of middle school for the basic entitlement and the high school formula for 6th grade students in per-ANB calculations.
- Present law inflation applied is to the Basic and Per-ANB Entitlements pursuant to section 20-9-326, MCA, is calculated at the rates of 3.00% in FY 2026 and 3.00% in FY 2027. Entitlements are determined to be as shown in the following tables.

<u>Basic Entitlements</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Elementary Basic	\$58,963	\$60,732	\$62,554	\$64,431	\$66,364
Middle School Basic	\$117,928	\$121,466	\$125,110	\$128,863	\$132,729
High School Basic	\$353,787	\$364,401	\$375,333	\$386,593	\$398,191

<u>Basic Entitlement Increments</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Elementary (each 25 ANB > 250 ANB)	\$2,949	\$3,037	\$3,128	\$3,222	\$3,319
Middle School (each 45 ANB > 450 ANB)	\$5,896	\$6,073	\$6,255	\$6,443	\$6,636
High School (each 80 ANB past 800 ANB)	\$17,960	\$18,221	\$18,768	\$19,331	\$19,991
<u>Per ANB Entitlements</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Elementary Per-ANB	\$6,307	\$6,496	\$6,691	\$6,892	\$7,099
High School Per-ANB	\$8,075	\$8,317	\$8,567	\$8,824	\$9,089
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%
<u>Components</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Quality Educator	\$3,673	\$3,783	\$3,896	\$4,013	\$4,133

3. Current basic entitlement calculations under section 20-9-206, MCA, provide a base amount per school district for the middle school basic entitlement and an incremental increase for each grouping of 45 students over the initial 450 students. Qualifying sixth grade students would count toward the incremental increases increasing the middle school basic entitlement in a school district where sixth grade students are counted as middle school students. The elementary basic entitlement also has an incremental increase for each grouping of 25 students and these students to be counted in the middle school count would be decreased from the elementary count for incremental funding.
4. Current per-ANB entitlement calculations under section 20-9-306, MCA, provide an established rate for each enrolled student with a decrement to a defined de-minimis level. The calculations for rate, decrement, and de-minimis are defined separately for elementary and high school programs. HB 339 would place qualifying sixth grade students in the defined high school formula rather than the currently defined elementary formula increasing costs as high school ANB are funded at higher rates than elementary ANB.
5. Section 2 of HB 339 is revised to include qualifying sixth grade students in ANB formulas consistent with the revised definitions defined in section 1.
6. The fall FY 2025 student count indicates that there are 254 programs with students enrolled in grade 7 or grade 8. There are 207 of these programs accredited as middle school programs and the remaining 47 are in elementary programs. For the purposes of this fiscal note, it is assumed that the students enrolled at districts with accredited middle school programs will include sixth grade in these accredited programs and sixth grade students attending at districts with elementary 7 and 8 grade programs will continue in those elementary programs.
7. In FY 2025, there are 11,436 reported sixth grade students attending public school districts of which 11,218 of these students attend at districts with accredited middle school programs and 218 attend at districts with elementary programs.
8. It is assumed that the 11,218 sixth grade students will attend accredited middle school programs equating to 11,650 current year ANB.
9. Administrative Rules of Montana (ARM) 10.55.902 defines a middle school program and a junior high school program. In current law, students in 7th and 8th grade students funded at high school rates follow part 4 of this ARM rule rather than part 3 where the middle school students are funded.
10. It is estimated that 350 certified FTE will be required for educating sixth grade students attending accredited middle school programs. This is 1 FTE per every 32 sixth grade students attending accredited middle school programs.

Fiscal Analysis Table

Office of Public Instruction

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Local Assistance	\$0	\$0	\$0	\$0
Direct State Aid	\$7,399,890	\$9,222,592	\$9,423,972	\$9,719,198
Guaranteed Tax Base Aid	\$3,762,528	\$4,773,828	\$4,862,100	\$5,090,197
Quality Educator	\$1,324,050	\$1,363,600	\$1,404,550	\$1,446,550
Retirement Guaranteed Tax Base Aid	\$931,800	\$1,185,063	\$1,196,914	\$1,208,883
TOTAL Expenditures	<u>\$13,418,268</u>	<u>\$16,545,083</u>	<u>\$16,887,536</u>	<u>\$17,464,828</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$13,418,268	\$16,545,083	\$16,887,536	\$17,464,828
TOTAL Funding of Expenditures	<u>\$13,418,268</u>	<u>\$16,545,083</u>	<u>\$16,887,536</u>	<u>\$17,464,828</u>
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>(\$13,418,268)</u>	<u>(\$16,545,083)</u>	<u>(\$16,887,536)</u>	<u>(\$17,464,828)</u>

Effect on County or Other Local Revenues or Expenditures**Office of Public Instruction**

1. The local school property tax impact related to HB 339 could be an increase of \$2.5 million each year of the biennium.

Technical Concerns

1. HB 339 increases funding from elementary rates to high school rates for sixth grade students in a middle school program. Current law directs that these students along with seventh and eighth grade students in the middle school program are funded at elementary rates and seventh and eighth grade students currently enrolled in a 7th and 8th grade program are funded at high school rates. The two programs are defined in Administrative Rules of Montana (ARM) 10.55.902.



Sponsor's Initials



Date



Budget Director's Initials

2/6/2025

Date