



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0339.02 (001): Fund 6th graders in middle school at high school ANB rates along with 7th and 8th graders**

Primary Sponsor: Melissa Romano 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) | \$13,102,730 | \$13,750,648 | \$14,624,403 | \$14,292,105 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>(\$13,102,730)</u> | <u>(\$13,750,648)</u> | <u>(\$14,624,403)</u> | <u>(\$14,292,105)</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 will be \$13.1 million in FY 2026 and \$13.8 million in FY 2027. Local school property taxes will increase by \$8.9 million in FY 2026 and \$9.3 million in FY 2027.

FISCAL ANALYSIS

Assumptions

- As amended, HB 339 changes the basic and per ANB entitlement calculations for sixth grade students.
- The first "whereas" in the bill states that 98% of Montana sixth graders attend an accredited middle school or junior high school.
- Current enrollment data and projections for the number of sixth grade students and 98% of that count converted to ANB is represented in the table below.

| | Enrollment | 98% | Projected ANB |
|---------|-------------------|------------|----------------------|
| FY 2026 | 11,513 | 11,283 | 11,722 |
| FY 2027 | 11,670 | 11,437 | 11,881 |
| FY 2028 | 12,116 | 11,874 | 12,335 |
| FY 2029 | 11,397 | 11,169 | 11,603 |

- The amended HB 339 further states that accredited middle school and high school programs, grades 6 through 8 will be funded at the middle school basic entitlement rate. Current law funds grade 6 at elementary basic entitlement rates. There is an incremental rate difference per student and the funding difference is shown in the following table using the projected ANB numbers above.

| Incremental Basic Entitlement | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|-------------------------------|-----------|-----------|-----------|-----------|
| Basic Entitlement Elementary | \$121 | \$125 | \$129 | \$133 |
| Basic Entitlement Middle | \$135 | \$139 | \$143 | \$147 |
| Difference | \$13 | \$14 | \$14 | \$15 |
| Projected ANB | 11,722 | 11,881 | 12,335 | 11,603 |
| Total Basic Entitlement Adj | \$157,954 | \$164,913 | \$176,369 | \$170,648 |

5. Further changes in HB 339, as amended, require the sixth grade students in an accredited middle school or junior high program will be funded at a new middle school per ANB rate. This rate is set at 21% greater than the elementary rate and 5.8% less than the high school rate. The following table shows the current elementary per ANB rate, the HB 339 middle school per ANB rate, the difference between the two, 98% of the sixth grade per ANB, and the resulting change in per ANB funding.

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Current Elementary Per ANB | \$6,496 | \$6,691 | \$6,892 | \$7,099 |
| HB 339 Sixth Grade Per ANB | \$7,858 | \$8,094 | \$8,337 | \$8,587 |
| Difference in per ANB rate | \$1,362 | \$1,403 | \$1,445 | \$1,488 |
| 98% of Sixth Grade ANB | 11,722 | 11,881 | 12,335 | 11,603 |
| Total new per ANB Sixth Grade funding | \$15,964,701 | \$16,669,543 | \$17,824,702 | \$17,265,878 |

6. The state funds 44.7% of the basic and per ANB funding in the school funding formula and local property taxes and GTB pay the other 35.3% in the BASE portion of the school budget. The other 20% of the funding is paid by local property taxes in the over BASE portion of the district budget. The following table represents these funding pieces.

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|--------------|--------------|--------------|--------------|
| State funds 44.7% | \$7,136,221 | \$7,451,286 | \$7,967,642 | \$7,717,847 |
| Local Property Taxes fund 35.3% | \$5,635,539 | \$5,884,349 | \$6,292,120 | \$6,094,855 |
| Over BASE portion local property taxes | \$3,192,940 | \$3,333,909 | \$3,564,940 | \$3,453,176 |
| Total new per ANB Sixth Grade funding | \$15,964,701 | \$16,669,543 | \$17,824,702 | \$17,265,878 |

7. It is assumed that in order for sixth grade programs to become accredited, it will be required for schools to hire an additional 350 certified FTE statewide ongoing. The additional FTE will qualify for the quality educator payment as represented in the following table. Quality Educator funding is 100% state funded.

| Quality Educator Payment | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Quality Educator Rate | \$3,783 | \$3,896 | \$4,013 | \$4,133 |
| FTE | 350 | 350 | 350 | 350 |
| Total New Quality Educator Payments | \$1,324,050 | \$1,363,600 | \$1,404,550 | \$1,446,550 |

8. Section 3 of HB 339 as amended, requires a school district that operates an accredited middle school or junior high school program shall spend at least \$100 multiplied by the number of ANB in the district's accredited middle school or junior high school program from the funding of the per ANB entitlement in grade 6 at the grade 6 level and grades 7 and 8 at the high school level to expand career and technical education opportunities for students in grades 6 through 8. Expanded career and technical education opportunities must include but are not limited to access to age-appropriate, work-based learning consistent with section 20-7-1510, MCA, and development of an advanced opportunity plan. The district's provision of expanded opportunities must align with the contents of the district's advanced opportunity plan as defined in section 20-7-1503, MCA.

Fiscal Analysis Table

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Local Assistance | \$0 | \$0 | \$0 | \$0 |
| Direct State Aid | \$7,206,827 | \$7,525,002 | \$8,046,479 | \$7,794,127 |
| County Retirement GTB | \$907,489 | \$966,930 | \$1,021,962 | \$969,441 |
| Quality Educator Payment | \$1,324,050 | \$1,363,600 | \$1,404,550 | \$1,446,550 |
| Guaranteed Tax Base Aid | \$3,664,364 | \$3,895,116 | \$4,151,412 | \$4,081,987 |
| TOTAL Expenditures | \$13,102,730 | \$13,750,648 | \$14,624,403 | \$14,292,105 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$13,102,730 | \$13,750,648 | \$14,624,403 | \$14,292,105 |
| TOTAL Funding of Expenditures | \$13,102,730 | \$13,750,648 | \$14,624,403 | \$14,292,105 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | (\$13,102,730) | (\$13,750,648) | (\$14,624,403) | (\$14,292,105) |

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

1. The local school property tax impact related to HB 339 would be an increase of \$8.9 million beginning in FY 2026 and ongoing.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

2/25/25



Budget Director's Initials

2/25/2025

Date