

Fiscal Note 2027 Biennium

Bill#/Title:	HB0266.02 (00	01): Establish education	inflation reco	nciliation process			
Primary Sponsor:	Luke Muszkiev	vicz	Status:	As Amended in House Committee			
☐ Included in the Ex	ecutive Budget	☐ Needs to be included in HB 2		☑ Significant Local Gov Impact			
☑ Significant Long-Term Impacts		☐ Technical Concerns		☐ Dedicated Revenue Form Attached			
		FISCAL SU	MMARY				
		FY 2026 Difference	FY 2027 Difference	FY 2028 <u>Difference</u>	FY 2029 Difference		
Expenditures General Fund (01)	1)	\$0	\$0	\$0	\$0		
Revenues General Fund (01	1)	\$0	\$0	\$0	\$0		
Net Impact		\$0	\$0	\$0	\$0		

Description of fiscal impact

General Fund Balance

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
- 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 theamount 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.

				Bien	nium	Bien	nium	Bien	nium
	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected
20-9-306, MCA	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
direct state aid	482,062,605	485,982,681	504,512,078	518,395,102	535,686,402	548,288,179	561,752,664	578,874,155	596,534,295
quality educator payment	42,456,625	43,792,152	46,980,347	48,070,340	48,353,620	49,784,704	51,271,797	52,811,530	54,390,743
at-risk student payment	5,639,695	5,725,647	5,871,950	6,029,193	6,212,607	6,399,740	6,591,732	6,789,484	6,993,169
Indian education for all payment	3,469,365	3,488,986	3,620,666	3,720,174	3,822,779	3,909,590	4,000,637	4,119,802	4,243,767
American Indian achievement gap payment	4,542,780	4,593,354	4,736,178	4,910,795	5,053,928	5,200,116	5,346,304	5,513,376	5,680,448
data-for-achievement payment	3,321,911	3,339,858	3,466,652	3,561,409	3,659,781	3,743,113	3,830,512	3,932,708	4,050,190
special education allowable cost payment.	44,702,880	44,702,880	44,702,880	45,386,649	46,159,146	47,538,533	48,964,857	50,433,894	52,131,057
ACCOUNT OF THE PARTY OF THE PAR	586,195,861	591,625,557	613,890,752	630,073,663	648,948,263	664,863,976	681,758,503	702,474,949	724,023,668
Budget Limit ANB	155,157	153,698	155.525	155,588	155,183	153,635	152,711	152,549	152,548
State/ANB	3,778	3,849	3,947	4,050	4,182	4,328	4,464	4,605	4,746
(a)	- 20 1				and the section		III II ANNA CANA SA		
Amount of Change in dollars	15,618,676	5,429,696	22,265,195	16,182,911	18,874,600	15,915,713	16,894,527	20,716,446	21,548,719
Amount of Change in \$ Per-Pupil	63	71	98	102	132	146	137	141	141
Amount of Change \$ Per-Pupil in percent	1.69%	1.88%	2.54%	2.59%	3.26%	3.48%	3.16%	3.15%	3.07%
restanti e MacControl Construit de La Lactica de la Lactica de la Lactica de La Construito							15.47%		
(b)									
Annual CPI-U July	5.4%	8.5%	3.2%	2.9%	3.0%	2.0%	2.0%	2.0%	2.0%
							25.00%		
(c)	A								
nflation reconciliation factor							9.53%		
eg approved annual inflation or Est capped a	1.83%	1.50%	2.57%	2.70%	3.00%	3.00%	3.00%	2.61%	2.35%
nflation reconciliation factor applied to CPI 20	0-9-326. MCA								11.88%
								First	year of applica

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:

Funding Component	Amount of Change
Direct State Aid	\$52,214,136
Special Education Allowable Cost	\$4,494,664
General Fund Guaranteed Tax Base Aid	\$27,750,312
Indian Education for All Payment	\$365,852
Achievement Gap Payment	\$480,332
Quality Educator Payment	\$4,698,160
Data for Achievement Payment	\$349,470
Retirement Guaranteed Tax Base Aid	\$1,556,234
At Risk Payment	\$602,906
TOTAL	\$92,512,066

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.

Effect on County or Other Local Revenues or Expenditures

1. If HB 266, as amended, was passed and approved, and the adjustments were implemented at the full value of the inflation calculations, school property taxes would increase by \$14.6 million beginning FY 2029 and ongoing.

Significant Long-Term Impacts

1. If HB 266, as amended, was passed and approved, and the adjustments 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. This fiscal impact would continue to grow biennium over biennium to the extent that recommended adjustments were implemented and those recommendations exceed 3% per year.

Budget Director's Initials

2/13/2025