



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0339.03 (002): 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</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>
<b>Expenditures</b>				
General Fund (01)	\$0	\$17,359,281	\$18,194,956	\$18,143,126
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>Net Impact</b>	<u>\$0</u>	<u>(\$17,359,281)</u>	<u>(\$18,194,956)</u>	<u>(\$18,143,126)</u>
<b>General Fund Balance</b>				

### **Description of fiscal impact**

HB 339, as amended, revises sections 20-9-306 and 20-9-311, MCA, allowing sixth grade students to be funded at the high school per ANB rates and to be included in the middle school basic entitlement calculations when the student is enrolled in an accredited program. The cost to the state is \$17.4 million in FY 2027 and beyond. Local school property taxes will increase by \$2.0 million per year ongoing.

### **FISCAL ANALYSIS**

#### **Assumptions**

1. HB 339, as amended, changes the applicability date to begin July 1, 2026, and increases funding for sixth grade students to be at the high school per-ANB and included in the middle school basic entitlement calculations when the student is enrolled in an accredited program. Sixth grade students are counted and funded at elementary rates under current law.
2. The first "whereas" in the bill states that 98% of Montana sixth graders attend an accredited middle school or junior high school.
3. Present law inflation applied 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

<b>Basic Entitlement Increments</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
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
<b>Per ANB Entitlements</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
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	44.70%	44.70%	44.70%	44.70%	44.70%

4. Quality educator payment rates are shown in the following table.

<b>Components</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Quality Educator	\$3,673	\$3,783	\$3,896	\$4,013	\$4,133

5. 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.

	<b>Enrollment</b>	<b>98%</b>	<b>Projected ANB</b>
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

6. 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.

<b>Incremental Basic Entitlement</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Basic Entitlement Elementary		\$125	\$129	\$133
Basic Entitlement Middle		\$139	\$143	\$147
Difference		\$14	\$14	\$15
Projected ANB		11,881	12,335	11,603
Total Basic Entitlement Adj		\$164,913	\$176,369	\$170,648

7. 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 the high school per ANB rate. The following table shows the current elementary per ANB rate, the high school per ANB rate, the difference between the two, 98% of the sixth grade per ANB, and the resulting change in per ANB funding.

	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Current Elementary Per ANB		\$6,691	\$6,892	\$7,099
Current High School Per ANB		\$8,567	\$8,824	\$9,089
Difference in per ANB rate		\$1,876	\$1,932	\$1,990
98% of Sixth Grade ANB		11,881	12,335	11,603
Total new per ANB Sixth Grade Per ANB		\$22,288,756	\$23,831,220	\$23,089,970

8. 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%		\$10,036,790	\$10,731,392	\$10,397,496
Local Property Taxes fund 35.3%		\$7,926,145	\$8,474,679	\$8,210,998
Over BASE portion local property taxes		\$4,490,734	\$4,801,518	\$4,652,124
Total new per ANB Sixth Grade funding		\$22,453,669	\$24,007,589	\$23,260,618

9. 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		\$3,896	\$4,013	\$4,133
FTE		350	350	350
Total New Quality Educator Payments		\$1,363,600	\$1,404,550	\$1,446,550

10. Section 3 requires that a school district that operates an accredited middle school or junior high school program shall commit resources from the funding of the per-ANB entitlement in grade 6 through 8 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
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Direct State Aid	\$0	\$10,036,790	\$10,731,392	\$10,397,496
County Retirement GTB	\$0	\$1,185,063	\$1,196,914	\$1,208,883
Guaranteed Tax Base Aid (GTB)	\$0	\$4,773,828	\$4,862,100	\$5,090,197
Quality Educator Payment	\$0	\$1,363,600	\$1,404,550	\$1,446,550
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$17,359,281</b>	<b>\$18,194,956</b>	<b>\$18,143,126</b>
Local Assistance	\$0	\$0	\$0	\$0
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$0	\$17,359,281	\$18,194,956	\$18,143,126
<b>TOTAL Funding of Expenditures</b>	<b>\$0</b>	<b>\$17,359,281</b>	<b>\$18,194,956</b>	<b>\$18,143,126</b>
<b><u>Revenues</u></b>				
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	\$0	(\$17,359,281)	(\$18,194,956)	(\$18,143,126)

Effect on County or Other Local Revenues or Expenditures

1. The local school property tax impact related to HB 339 will be an increase of \$2.0 million beginning in FY 2026.



Sponsor's Initials

Date



Budget Director's Initials

4/9/2025

Date