



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0168.02 (001): Provide state funding for preschool children with disabilities

Primary Sponsor: Jonathan Karlen 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>
Expenditures				
General Fund (01)	\$0	\$3,728,257	\$3,944,908	\$4,059,170
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>(\$3,728,257)</u>	<u>(\$3,944,908)</u>	<u>(\$4,059,170)</u>
General Fund Balance				

Description of fiscal impact

HB 168, as amended, clarifies in section 20-9-311, MCA, that 3 and 4-year-old children with disabilities participating in school district special education programs are eligible for inclusion in ANB calculations. The estimated state cost is \$3,728,000 beginning FY 2027.

FISCAL ANALYSIS

Assumptions

- HB 168, as amended, modifies section 20-9-311(7), MCA, to include the following: *Preschool children with disabilities receiving special education services as required under 20-7-411(3) may be included in ANB calculations based on the aggregate hours of pupil instruction.*
- As amended, HB 168 includes a new Section 1, 20-5-101, MCA, adding that the child is a child with a disability and is being admitted into a special education program pursuant to section 20-7-411, MCA. This clarifies that these students are not available to be enrolled in a special education setting concurrently to that of a classroom-based early literacy program.
- Section 20-7-411(3), MCA, states: *The board of trustees of each elementary district shall provide or establish and maintain a special education program for each preschool child with a disability who is 3 years of age or older and under 7 years of age.* Although this section requires districts to provide special education services to 3 and 4-year-old children it is not defined that the state shall provide ANB funding for these students. Currently, state ANB funding is provided to students enrolled in programs kindergarten through 12th grades and does not include these students.
- Section 20-7-117, MCA, establishes what defines kindergarten and preschool programs and allows for the trustees of a district to establish a free preschool program for children between the ages of 3 and 5 years however, financing may not include state funds generated from equalization aid.
- ARM 10.20.102, the calculation of average number belonging (ANB) refers to state ANB funding to be

- provided to students enrolled in grades K through 12 only in the calculation description defined in part (16)(a)(i).
6. These sections create an ambiguous view of whether a district may include *apreschool child with a disability who is 3 years of age or older and under 7 years of age* included for the purposes of ANB funding.
 7. Section 20-7-117, MCA, provides the allowance of students under the age of 5 years old before September 10th to be included in the calculation of ANB, as enrolled students in a kindergarten program, if approval is granted through the district's board of trustees. The FY 2025 fall enrollment count included 39 students enrolled in kindergarten programs under 5 years of age by special permission of district boards of trustees, of these enrolled students three were marked as receiving special education services. The table below illustrates the most recent three years for this same data with an averaged percentage for special education students enrolled in kindergarten programs.
 8. The extreme shift between FY 2025 and earlier years may be the result of the passage to HB 352 (2023 Session) early literacy education programs.

	U5 Special Education	U5 Students Enrolled in K	Percent of Special Education
FY 2025	3	39	7.69%
FY 2024	318	1483	21.44%
FY 2023	205	1291	15.88%

9. In the FY 2025 fall collection of children attending public schools, there are 2,787 children enrolled in public school sanctioned pre-school programs and of those enrolled 919 are receiving special education services. The table below illustrates the most recent 3 years for this same data with an averaged percentage for special education students enrolled in pre-kindergarten programs.

	U5 Special Education	U5 Students enrolled in PK	Percent of Special Education
FY 2024	919	2,787	32.97%
FY 2023	729	1,029	9.19%
FY 2022	770	1,190	64.71%

10. In review of the 3-year trend, data from fall FY 2024 will be used to estimate the costs for this fiscal note. Children enrolled in public pre-school programs receiving special education services will be included in the ANB count for state funding. Adjusting the 922 children for aggregate hours of attendance, 675 students would be enrolled and would produce 702 additional current year ANB at an added cost to the state of approximately \$3,728,000 and an approximate increase of \$766,000 BASE property taxes in FY 2027.
11. Applicability for this bill directs identified students enrolled in FY 2026 to count toward the ANB calculation of FY 2027 and would generate state funding in that fiscal year.

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Direct State Aid	\$0	\$2,279,616	\$2,397,741	\$2,470,113
Indian Education for All	\$0	\$18,304	\$18,841	\$19,399
GF Guaranteed Tax Base Aid (GTB)	\$0	\$886,017	\$973,307	\$1,004,093
Special Education Allowable Cost Pmt	\$0	\$225,007	\$231,758	\$238,712
Data for Achievement	\$0	\$17,139	\$18,065	\$18,605
Retirement GTB	\$0	\$302,174	\$305,196	\$308,248
TOTAL Expenditures	\$0	\$3,728,257	\$3,944,908	\$4,059,170
Local Assistance	\$0	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
General Fund (01)	\$0	\$3,728,257	\$3,944,908	\$4,059,170
TOTAL Funding of Expenditures	\$0	\$3,728,257	\$3,944,908	\$4,059,170
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	(\$3,728,257)	(\$3,944,908)	(\$4,059,170)

Effect on County or Other Local Revenues or Expenditures

- Local property taxes will increase by approximately \$766,000 each year beginning in FY 2027.

Sponsor's Initials

Date

Budget Director's Initials

Date