



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0015: Implement K-12 Inflation**

Primary Sponsor: **David Bedey**

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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$9,100,604	\$42,994,398	\$70,220,468	\$105,632,195
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$9,100,604)</u>	<u>(\$42,994,398)</u>	<u>(\$70,220,468)</u>	<u>(\$105,632,195)</u>
General Fund Balance				

Description of fiscal impact

HB 15 applies statutory language in 20-9-326, MCA, for the inflationary increase of 3.00% in FY 2026 and 3.00% in FY 2027 to K-12 BASE aid funding. The state general fund cost for the FY 2027 biennium would be \$52.1 million.

FISCAL ANALYSIS

Assumptions

1. The average number belonging (ANB) used to determine the general fund budgets for K-12 public schools will be as follows. These estimates are for current year ANB, which is used to calculate the budgeted ANB as determined by 20-9-311(13) and (14), MCA.

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
K-6 ANB	83,214	83,633	83,633	83,633	83,657
7-8 ANB	23,222	23,285	23,285	23,285	23,320
9-12 ANB	<u>46,111</u>	<u>45,630</u>	<u>45,630</u>	<u>45,630</u>	<u>46,111</u>
Total	152,547	152,548	152,548	152,548	153,088

2. The number of FTE (including special education cooperatives) generating the quality educator payment is estimated to be:

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
School District FTE	12,993.74	12,993.74	12,993.74	12,993.74	12,993.74
Special Ed Coop FTE	170.87	170.87	170.87	170.87	170.87
Total FTE	13,164.61	13,164.61	13,164.61	13,164.61	13,164.61

3. The present law inflation applied to the Basic and Per-ANB Entitlements, the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data-for-Achievement, At Risk, and the Special Education Allowable Cost Payment components (20-9-326, MCA) is 3.00% in FY 2026 and 3.00% in FY 2027. For the present law budget, entitlements and components are set as follows:

Basic Entitlements	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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

Basic Entitlement Increments					
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

Per ANB Entitlements	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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%

Components	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Indian Education for All	\$24.63	\$25.37	\$26.13	\$26.91	\$27.72
Indian Achievement Gap	\$242	\$249	\$256	\$264	\$272
Quality Educator	\$3,673	\$3,783	\$3,896	\$4,013	\$4,133
At Risk	\$6,213,340	\$6,399,740	\$6,591,732	\$6,789,484	\$6,993,169
Data for Achievement	\$23.58	\$24.29	\$25.02	\$25.77	\$26.54
Special Education Allowable Cost	\$302.55	\$311.63	\$320.98	\$330.61	\$340.53

4. Present law (20-9-326, MCA) requires the Superintendent of Public Instruction to include inflationary adjustments for the basic and per-ANB entitlements, and the Quality Educator, Indian Education for All, American Indian Achievement Gap, Data for Achievement, At-Risk and Special Education Allowable Cost components in the recommendations presented to the legislature. These present law adjustments result in the following expenditures:

Payments	FY 2026	FY 2027
Direct State Aid	\$551.8 million	\$565.3 million
Guaranteed Tax Base Aid	\$278.0 million	\$292.0 million
County Retirement GTB (w/ \$38.5M)	\$96.4 million	\$138.0 million

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(continued)

Indian Education for All	\$3.9 million	\$4.0 million
American Indian Achievement Gap	\$5.2 million	\$5.4 million
Quality Educator (w/ Coop & TEACH)	\$52.5 million	\$54.1 million
Data for Achievement	\$3.7 million	\$3.8 million
Special Education Allowable Cost	\$47.5 million	\$49.0 million

5. The Natural Resources Development payment is estimated to be \$12.4 million in FY 2026 and \$12.3 million in FY 2027, if all school districts levied to receive the maximum amount of funding. Section 20-9-635, MCA, provides that the appropriation for FY 2024 and beyond be the greater of \$10 million, adjusted for inflation in accordance with section 20-9-326, MCA, or 5% of the oil and natural gas production taxes deposited in the state general fund pursuant to 15-36-331(4), MCA. Additionally, state special revenue is appropriated from the school major maintenance account, established in 20-9-525, MCA. Estimated authority is \$10.8 million general fund and \$12.0 million state special revenue in FY 2026 and \$11.2 million general fund and \$12.0 million state special revenue in FY 2027.
6. Direct State Aid, GTB, and other school district general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division, and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates, and estimated property tax values.
7. The At Risk Student payment inflation increase of \$186,400 in FY 2026 and \$378,392 in FY 2027 will be appropriated in HB 2.
8. The statewide present law taxable valuations are forecast to increase by 10.40% in FY 2026 and 1.60% in FY 2027.
9. BASE aid components included in the inflationary adjustments: basic and per ANB entitlements, quality educator, Indian education for all, American Indian achievement gap, data for achievement, at-risk, and special education allowable cost payment.
10. This bill does not appropriate funds, it only defines the legislative intent to appropriate.
11. This funding is included in the Executive Budget and currently appropriated in HB 2.
12. HB 15 includes inflationary increases to the quality educator payments defined in 20-9-327, MCA. That statute includes quality educators at the Montana School for the Deaf and Blind (MSDB), Pine Hills Correctional Facility, and Montana Youth Challenge Program within the Department of Military Affairs. The following table shows the increased funding that would be directed to the base budget for each of these agencies to fund the quality educator payment increases.

	FY 2026	FY 2027	FY 2028	FY 2029
Present Law Quality Educator Payment	\$3,673	\$3,673	\$3,673	\$3,673
Proposed Quality Educator Payment	\$3,783	\$3,896	\$4,013	\$4,133
Change	\$110	\$223	\$340	\$460

	# FTE	FY 2026	FY 2027	FY 2028	FY 2029
MSDB	25.40	\$2,794	\$5,664	\$8,636	\$11,684
Corrections	11.00	\$1,210	\$2,453	\$3,740	\$5,060
Military Affairs	5.00	\$550	\$1,115	\$1,700	\$2,300

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Personal Services	\$0	\$0	\$0	\$0
MSDB - Quality Educator Payment	\$2,794	\$5,664	\$8,636	\$11,684
Military Affairs - Quality Educator Payment	\$550	\$1,115	\$1,700	\$2,300
Corrections - Quality Educator Payment	\$1,210	\$2,453	\$3,740	\$5,060
Local Assistance	\$0	\$0	\$0	\$0
Direct State Aid	\$9,590,096	\$23,054,581	\$40,176,072	\$57,836,212
Special Education Allowable Cost	\$358,330	\$1,784,654	\$3,253,691	\$4,950,854
Guarantee Tax Base Aid	(\$8,965,645)	\$5,056,934	\$10,764,785	\$23,821,881
Indian Education for All	\$55,093	\$146,140	\$265,305	\$389,270
Achievement Gap	\$143,042	\$289,230	\$456,302	\$623,374
Quality Educator	\$871,424	\$2,440,110	\$3,979,843	\$5,559,056
Data for Achievement	\$53,504	\$140,903	\$243,099	\$360,581
Retirement GTB	\$6,975,206	\$10,057,614	\$11,052,295	\$12,056,923
Audit	\$15,000	\$15,000	\$15,000	\$15,000
TOTAL Expenditures	\$9,100,604	\$42,994,398	\$70,220,468	\$105,632,195
<u>Funding of Expenditures</u>				
General Fund (01)	\$9,100,604	\$42,994,398	\$70,220,468	\$105,632,195
TOTAL Funding of Expenditures	\$9,100,604	\$42,994,398	\$70,220,468	\$105,632,195
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$9,100,604)	(\$42,994,398)	(\$70,220,468)	(\$105,632,195)

Effect on County or Other Local Revenues or Expenditures

1. The local property tax impact related to the inflationary increases to the school funding formula could be an increase of \$30.5 million for the biennium.



Sponsor's Initials



Date



Budget Director's Initials

1/7/2025

Date