



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0654.01: Increase access to early literacy targeted intervention programs

Primary Sponsor: Becky Edwards

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</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)	\$5,329,488	\$6,542,605	\$6,571,461	\$6,866,514
State Special Revenue (02)	\$1,000,000	\$1,000,000	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$5,329,488)</u>	<u>(\$6,542,605)</u>	<u>(\$6,571,461)</u>	<u>(\$6,866,514)</u>
General Fund Balance				

Description of fiscal impact

HB 654 revises education laws to support early literacy programs by clarifying the conditions under which a school district partnering with a community organization in providing classroom-based programs may include those children in enrollment counts for ANB purposes. The bill proposes to allow a school district that is expanding enrollment in a classroom-based early literacy program to increase the district's ANB count. There is an appropriation of \$2 million from the school facility and technology state special revenue account under section 20-9-516, MCA, to the OPI to be used for a temporary early literacy boost grant program. State general fund BASE aid costs are estimated at \$5.3 million in FY 2026 and \$6.5 million in FY 2027.

FISCAL ANALYSIS

Assumptions

Office of Public Instruction

- HB 654 changes 20-9-311, MCA, the calculation of ANB, to include pupils who are participating in an in-person early literacy targeted intervention classroom-based program under Title 20, chapter 7, part 18, that is provided at district expense through a contract with a community-based provider or organization, provided that:
 - the classroom-based program remains under the supervision and control of the board of trustees
 - teachers employed by the school district conduct the pupil instruction for the classroom-based program
- Section 2 of the bill relating to circumstances under which the regular average-number-belonging may be increased, is revised to allow for an elementary or K-12 district to anticipate an increase in the average-number-belonging due to an increase in the number of students the district will serve in an early literacy targeted intervention classroom-based program. The estimated increase in ANB must be established by the

- trustees and the county superintendent and approved, disapproved, or adjusted by the Superintendent of Public Instruction no later than the fourth Monday in June.
3. The bill revises the purposes and priority of the the school facility and technology state special revenue account to include as the second priority of the funding for after school technology purposes to be early literacy targeted intervention boost grants as provided in Section 4 of HB 654. Section 4 of the bill provides for grants to increase access to early literacy targeted interventions beginning July 1, 2025, administered by the Office of Public Instruction (OPI). The grant program is limited to legislative appropriation of \$2 million for the 2027 biennium in this bill. The OPI is to distribute \$1,000 for every ANB increase in a school district counted under 20-9-313(1)(f), MCA. The receiving district is to deposit the funds into the Miscellaneous Programs Fund (15) and no later than June 30, 2027, expend the funds for classroom modifications or curriculum purchased related to the expansion of the district's early literacy targeted intervention classroom program. The grant program terminates June 30, 2027.
 4. Data from the OPI shows that 1,979 students are enrolled in the classroom-based early literacy program. The average number of students per grade level in Montana in FY 2025 is 11,100 students.
 5. For purposes of this fiscal note, due to the incentivization and continued expected program growth, it will be assumed that 1,200 additional students will enroll in early literacy programs in association with contracts with a community-based provider program that remain under the supervision and control of the board of trustees and with teachers employed by the school district.
 6. It will be assumed that an additional 80 teachers will be hired to meet the need of these additional students. That is one additional teacher for every 15 students.
 7. 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	46,111	45,630	45,630	45,630	46,111
Total ANB	152,547	152,548	152,548	152,548	153,088

8. The number of FTE (including special education cooperatives) generating the quality educator payment is estimated in the following table.

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
School District FTE	12,993.742	12,993.742	12,993.742	12,993.742	12,993.742
Special Ed Coop FTE	170.870	170.870	170.870	170.870	170.870
Total FTE	13,164.612	13,164.612	13,164.612	13,164.612	13,164.612

9. 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. Present law budget, entitlements, and components are set using the following information.

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	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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	44.7%	44.7%	44.7%	44.7%	44.7%

Components	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Indian Education for All (per ANB)	\$25	\$25	\$26	\$27	\$28
Indian Achievement Gap (per ANB)	\$242	\$249	\$256	\$264	\$272
Quality Educator (per FTE)	\$3,673	\$3,783	\$3,896	\$4,013	\$4,133
Data for Achievement (per ANB)	\$24	\$24	\$25	\$26	\$27
Special Education Allowable Cost (per ANB)	\$303	\$312	\$321	\$331	\$341
At Risk (appropriation)	\$6,213,340	\$6,399,740	\$6,591,732	\$6,789,484	\$6,993,169

10. 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.

Payment (annual)	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
Indian Education for All	\$3.9 million	\$4.0 million
American Indian Achievement Gap	\$5.2 million	\$5.4 million
Quality Educator	\$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

11. 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.
12. 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.
13. Applicability applies to school district budgeting and funding for school FY 2026 including the ability of a school district to increase its ANB count for school fiscal year 2026, if the district anticipates an increase in the number of children in a classroom-based targeted early literacy intervention program.

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Local Assistance	\$0	\$0	\$0	\$0
Direct State Aid	\$2,865,239	\$3,572,157	\$3,684,180	\$3,796,038
District GF GTB	\$1,369,568	\$1,737,703	\$1,622,887	\$1,773,546
Indian Education for All	\$24,840	\$31,191	\$32,161	\$33,141
Quality Educator Payment	\$302,640	\$315,576	\$329,066	\$343,039
Data for Achievement	\$23,828	\$29,999	\$30,924	\$31,848
County Retirement GTB	\$369,417	\$470,803	\$475,511	\$480,266
Special Education	\$373,956	\$385,176	\$396,732	\$408,636
Grants	\$1,000,000	\$1,000,000	\$0	\$0
TOTAL Expenditures	\$6,329,488	\$7,542,605	\$6,571,461	\$6,866,514
<u>Funding of Expenditures</u>				
General Fund (01)	\$5,329,488	\$6,542,605	\$6,571,461	\$6,866,514
State Special Revenue (02)	\$1,000,000	\$1,000,000	\$0	\$0
TOTAL Funding of Expenditures	\$6,329,488	\$7,542,605	\$6,571,461	\$6,866,514
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$5,329,488)	(\$6,542,605)	(\$6,571,461)	(\$6,866,514)
State Special Revenue (02)	(\$1,000,000)	(\$1,000,000)	\$0	\$0

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


1. Local school property taxes are will increase by approximately \$1.1 million each year of the 2027 Biennium and ongoing.

Technical Concerns

1. The amendments to Section 2 of HB 654, (20-9-313, MCA) allow for anticipated enrollment increases for classroom based early literacy to be submitted to OPI through to the fourth Monday in June. OPI will not be able to calculate and release adjusted preliminary budget data sheets.
2. The ability of the OPI to enact the applicability without having the opportunity to develop a formalized process to implement the requirements of this bill may result in audit and compliance issues.
3. HB 654 does not provide a specific timeline for when the OPI must pay out the boost program funding.
4. There is no specified requirement for the order of districts to receive the funding for the boost grants, nor what would be required should the appropriation not be sufficient to fund the requests.



Sponsor's Initials



Date



Budget Director's Initials

3/1/2025

Date