



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0028 R: Clarify timelines and opening procedures for public charter schools**

Primary Sponsor: **David Bedey** Status: **As Amended in House Committee - Revised**

☐ 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<br/>Difference</u> | <u>FY 2027<br/>Difference</u> | <u>FY 2028<br/>Difference</u> | <u>FY 2029<br/>Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures</b>         |                               |                               |                               |                               |
| General Fund (01)           | \$0                           | \$854,467                     | \$880,114                     | \$906,545                     |
| <b>Revenues</b>             |                               |                               |                               |                               |
| General Fund (01)           | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Net Impact</b>           | <u>\$0</u>                    | <u>(\$854,467)</u>            | <u>(\$880,114)</u>            | <u>(\$906,545)</u>            |
| <b>General Fund Balance</b> |                               |                               |                               |                               |

### Description of fiscal impact

HB 28, as amended, clarifies law relating to public charter schools for, approval timelines, opening procedures, and initial year funding. Public charter school districts are entitled to per-ANB based funding components in the initial year of operation. The state cost is approximately \$854,467 in FY 2027. Local property taxes would increase \$571,000 in FY 2027.

### FISCAL ANALYSIS

#### Assumptions

1. This fiscal note for HB 28 is revised to acknowledge new information has become available indicating that there will be no new public, district governed, charter schools in FY 2026. Therefore, there will be no additional costs incurred in FY 2026. It is also recognized that it is likely there will be one new public, district governed, K-12 charter school created in FY 2027. This revised fiscal note acknowledges these updates.
2. HB 28 amends 20-6-804, MCA, or the Board of Public Education's (BPE) responsibilities, requiring that the BPE to notify the Office of Public Instruction (OPI) and the relevant county superintendents of the status of public charter schools, in a timely manner.
3. Section 2 is amended to remove an obsolete deadline reference of 2023 replacing the reference with "annually".
4. The bill amends section 3, the terms for the charter contract, to allow the BPE to approve pre-opening of charter schools, exempting the requirements of opening a school within a district under Title 20, chapter 6, part 5. It is assumed that this is in direct reference to sections, 20-6-502, 20-6-503, 20-6-504, 20-6-505, & 20-6-507, MCA
5. Section 20-6-812, MCA, or funding for public charter schools, is amended to require charter schools operated by a local school board to return state Basic Entitlement payments if October enrollment converted

to ANB does not meet the eligibility requirements for separate budget unit status. The return of over payment is described under section 20-9-344, MCA.

6. Section 20-6-812, MCA, is further clarified, stating that Per-ANB entitlements are not to be included in budget determination or payments in the inaugural year of operation for public school charters that are operated by a school district.
7. Further clarification includes that estimated enrollments provided are to be converted to ANB and that in the second and third years of operation, the current year ANB is to also be the 3-year average ANB for the budget unit(s) identified as charter schools.
8. Final amendments to section 20-6-812, MCA, are specific to separate independent charter school districts. Amendments add similar requirements for repayment of the state Basic Entitlement payment when overpayment is made and the minimum ANB levels are not met, as indicated in section 20-9-344, MCA. That the Basic Entitlement is to be based on the estimated enrollment converted to ANB for the budget determination of the inaugural year of operation.
9. As amended the district public charter school per-ANB entitlement, Indian education for all payment, data-for-achievement payment, special education allowable cost payment a must be based on the planned enrollment provided in the public charter school district's application in the inaugural year.
10. The present law inflation applied to the Per-ANB Entitlements, Indian Education for All, Data-for-Achievement, 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.

| Per ANB Entitlements   | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|---------|---------|---------|---------|
| Elementary Per-ANB   | \$6,496 | \$6,691 | \$6,892 | \$7,099 |
| High School Per-ANB  | \$8,317 | \$8,567 | \$8,824 | \$9,089 |
| Direct State Aid (DSA) Percentage for Charter School Districts | 80%     | 80%     | 80%     | 80%     |

| 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  |
| 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 |

11. For the purposes of this fiscal note, it is estimated there will be one K-12 charter school district created in FY 2027 which will generate 71 elementary ANB, 21 middle school ANB, and 41 high school ANB.

|                           | FY2026 | FY2027    | FY2028    | FY2029    |
|---------------------------|--------|-----------|-----------|-----------|
| Elementary est. 71 ANB    | \$0    | \$406,470 | \$418,679 | \$431,254 |
| Middle School est. 21 ANB | \$0    | \$151,741 | \$156,293 | \$160,986 |
| High School est. 41 ANB   | \$0    | \$296,255 | \$305,142 | \$314,306 |
| Estimated TOTAL Cost      | \$0    | \$854,466 | \$880,114 | \$906,545 |

12. This bill requires a retroactive applicability and will affect charter schools opening for inaugural operation under existing public school district boards and independent charter school district budgets of FY 2026, however, it has been determined there will be no new charter schools governed by local school boards opening in FY 2026.
13. There is no data currently available to make a determination as to the number of newly established charter school districts in outlying years. Estimates are based on application data provided on the BPE website and are assumed to be minimums. Variation for the creation of new charter school districts should be assumed in future years.

## Fiscal Analysis Table

|  | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> | <u>FY 2028</u><br><u>Difference</u> | <u>FY 2029</u><br><u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>Fiscal Impact</u></b>  |                                     |                                     |                                     |                                     |
| <b><u>Expenditures</u></b>   |                                     |                                     |                                     |                                     |
| Direct State Aid (DSA)   | \$0                                 | \$804,972                           | \$829,136                           | \$854,037                           |
| Special Ed Allowable Cost Pmt  | \$0                                 | \$42,691                            | \$43,971                            | \$45,291                            |
| Data for Achievement   | \$0                                 | \$3,328                             | \$3,428                             | \$3,530                             |
| Indian Education for All   | \$0                                 | \$3,476                             | \$3,579                             | \$3,687                             |
| <b>TOTAL Expenditures</b>  | <b>\$0</b>                          | <b>\$854,467</b>                    | <b>\$880,114</b>                    | <b>\$906,545</b>                    |
| Local Assistance   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b><u>Funding of Expenditures</u></b>  |                                     |                                     |                                     |                                     |
| General Fund (01)  | \$0                                 | \$854,467                           | \$880,114                           | \$906,545                           |
| <b>TOTAL Funding of Expenditures</b>   | <b>\$0</b>                          | <b>\$854,467</b>                    | <b>\$880,114</b>                    | <b>\$906,545</b>                    |
| <b><u>Revenues</u></b>   |                                     |                                     |                                     |                                     |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b> |                                     |                                     |                                     |                                     |
| General Fund (01)  | \$0                                 | (\$854,467)                         | (\$880,114)                         | (\$906,545)                         |

**Effect on County or Other Local Revenues or Expenditures**

- Local property taxes would increase by approximately \$570,000 in FY 2027 and future years related to HB 28.



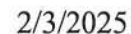
Sponsor's Initials



Date



Budget Director's Initials



Date