

The Decrement—History and Financial Impact of Eliminating  
 prepared for the School Funding Interim Commission, December 2015  
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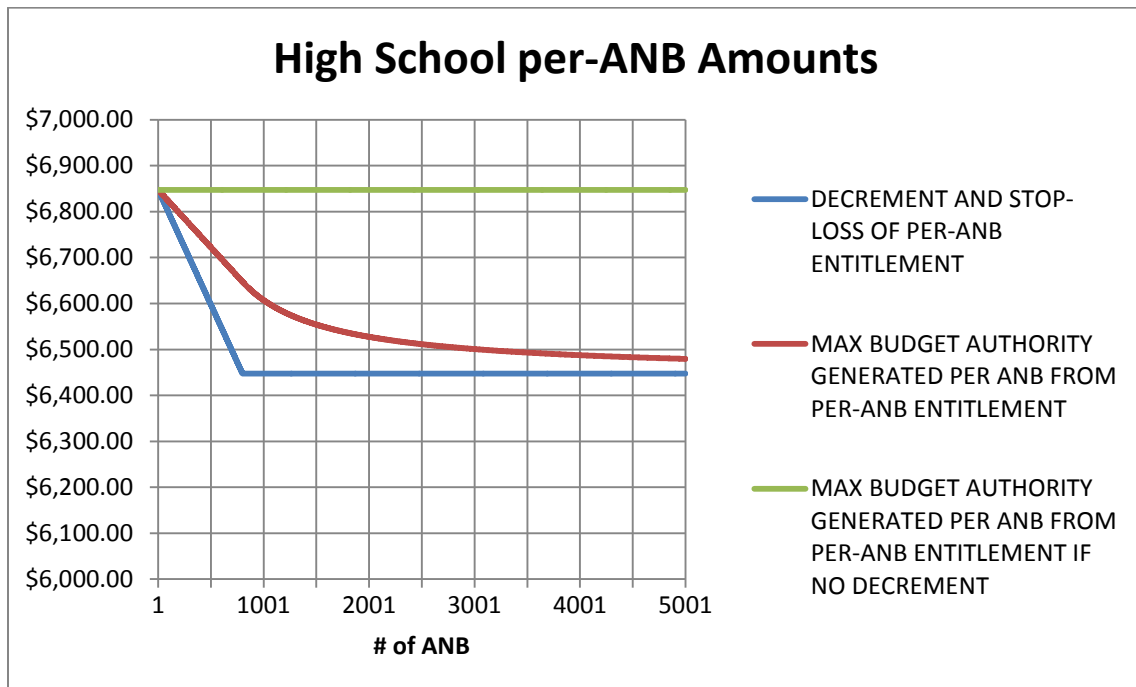
**Current Law**

The word “decrement” does not appear in Montana school funding statutes. The term refers to the reduction of the per-ANB entitlement in Montana’s current school funding formula which was enacted in 1993 through HB 667. As school districts calculate their budgets, the first ANB (pupil) “receives” the maximum per-ANB entitlement rate as defined in statute; the second and subsequent ANB receive reduced per-ANB entitlements up to a “stop-loss” point.

Per-ANB entitlements with decrement amounts for FY 2016

Grade level	Maximum per-ANB rate (1 <sup>st</sup> ANB)	Decrement amount (cumulative)	Stop-loss
K-6 (and 7-8 not in approved MS program)	\$5,348	\$0.20 per ANB (2 <sup>nd</sup> ANB = \$5,347.80; 3 <sup>rd</sup> ANB = \$5,347.60; etc. After stop loss each subsequent ANB = \$5,148.20)	1,000 ANB
9-12 (and 7-8 in approved MS program)	\$6,847	\$0.50 per ANB (2 <sup>nd</sup> ANB = \$6,846.50; 3 <sup>rd</sup> ANB = \$6,846.00; etc. After stop loss each subsequent ANB = \$6,447.50)	800 ANB

The decrement and stop-loss point yield the blue straight-line graph below. The maximum budget authority generated per ANB from the per-ANB entitlement is reflected in the red curved line (with decrement) and the green line (if the decrement were eliminated).



## History

From 1947 through 1993, Montana used what was called the Foundation Program for school funding which provided for minimum annual operating revenue for school districts. The Foundation Program had similar adjustments for schools of different sizes, including decrements.

### Foundation schedules from 1947 Laws of Montana for High Schools

Enrollment	Maximum per-pupil rate (1 <sup>st</sup> pupil)	Decrement amount (cumulative)
60 or fewer	\$340	NA
61-100	\$340	\$1.25
101-200	\$290	\$0.40
201-300	\$250	\$0.25
301-650	\$225	\$0.05
651 or more	\$207.50	NA

It appears that a system for common school budgets was enacted in Chapter 146 of the 1931 Laws of Montana. In 1933, Chapter 178 added a system of school budgets for high schools which included decrement-like adjustments. However, Chapter 175 of 1935, which declared the policy of the state “to establish a uniform system of free, public schools”, provided state aid based on “classroom units” and enrollment *without* decrement reductions. The state provided equal funding for every student and classroom, but district budgets were reduced to reflect “economies of scale”.

### If the decrement were eliminated

The figures below were calculated by the Legislative Fiscal Division and show the approximate statewide costs of eliminating the decrement in millions of dollars.

	FY 2016	FY 2017
State cost—direct state aid (DSA)	\$9.2	\$9.2
State cost—guaranteed tax base aid (GTB)	\$4.0	\$4.3
State cost—total	\$13.2	\$13.5
Local cost—at BASE budget level	\$3.3	\$3.0

The table below shows the increase in per-ANB entitlement amounts (Per ANB +); the increase in MAX budgets (100% of entitlement amounts; MAX +); and the increase in BASE budgets (80% of entitlement amounts; BASE +) for various-sized elementary and high school districts if the decrement were eliminated for FY 16. Eliminating the decrement increases budgets for all districts, but increases budgets for larger districts more (see the chart on page 1 and how the difference between the red line and the green line grows with enrollment).

	EL 40 ANB	EL 400 ANB	EL 2,500 ANB	HS 75 ANB	HS 400 ANB	HS 1,250 ANB
Per ANB +	\$3.90	\$39.90	\$159.84	\$18.50	\$99.75	\$271.66
MAX +	\$156	\$15,960	\$399,600	\$1,388	\$39,900	\$339,575
BASE +	\$124.80	\$12,768	\$319,680	\$1,110	\$31,920	\$271,660