



# LEGISLATIVE FINANCE COMMITTEE

## 66th Montana Legislature

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

### SENATE MEMBERS

JANET ELLIS  
TOM JACOBSON  
BOB KEENAN  
RYAN OSMUNDSON  
DANIEL SALOMON  
JON SESSO

### HOUSE MEMBERS

NANCY BALLANCE  
DAVID BEDEY  
MARY CAFERRO  
KIMBERLY DUDIK  
JIM HAMILTON  
KENNETH HOLMLUND  
MIKE HOPKINS  
LLEW JONES  
RYAN LYNCH  
BILL MERCER  
RAE PEPPERS  
MARILYN RYAN

JULIE JOHNSON, Staff Attorney  
KAREN GILBERT, Secretary  
AMY CARLSON, Legislative Fiscal Analyst

TO: LFC Education Subcommittee (HB 657)  
FROM: Pad McCracken, LSD Research Analyst, and Paul Taylor, OPI School Finance  
RE: Financial models for special education funding options  
DATE: January 3, 2020

At your December 16, 2019, meeting you directed staff to prepare financial models for several options for modifying special education funding. This memo and the attached documents reflect that direction. As a reminder the options you wanted info on were:

1. Providing initial and ongoing inflationary adjustments to the special education allowable cost payment like the BASE Aid entitlements receive.
2. Creating a mechanism by which the special education allowable cost payment increases as statewide ANB increases.
3. Providing a "catch-up" adjustment to the special education allowable cost payment reflecting what that payment would be in FY 22 if the amount appropriated in FY 17 had received the same inflationary adjustments that other components of BASE Aid received in those 5 years pursuant to 20-9-326, MCA. (see boxes 4, 5, and 6 on page 3)

The attached financial estimates in the tables that follow were created using the current school funding model and utilize the known inflationary adjustment for FY 22 (2.16%) calculated pursuant to [20-9-326, MCA](#), and an estimate of the calculation based on the latest forecasts from IHS Global Insight for FY 23 (2.26%). We will go over the tables with you at the meeting.

Also attached is a preliminary bill draft that shows how the option that provides an inflationary adjustment (not the 5-year catch-up under #3 above, just the inflationary adjustment applied to the other BASE Aid components in the ensuing biennium) and provides a mechanism for growth of the special education allowable cost payment based on ANB growth (#s 1 and 2 above combined and box 3 on page 2). This draft was prepared at the direction of Chairman Bedey for discussion purposes only.

## Special Education Appropriation Adjustments with Inflationary Adjustment

1. SPED appropriation adjusted for estimated inflation						
	Current Base	Est 2.16% FY 2022	Est 2.26% FY 2023	Est 2.16% FY 2022	Est 2.26% FY 2023	Biennium
Districts	40,020,799	40,888,692	41,816,795	867,893	1,795,996	
Cooperatives	4,682,081	4,779,770	4,883,774	97,689	201,693	
	<u>44,702,880</u>	<u>45,668,462</u>	<u>46,700,569</u>	<u>965,582</u>	<u>1,997,689</u>	
GTB				284,044	589,829	
Total State				1,249,626	2,587,518	3,837,144
BASE Levy Increase				113,656	287,989	401,645

2. SPED appropriation adjusted for estimated enrollment increases						
	Current Base	<b>\$292.02 X CY ANB</b> FY 2022	<b>\$292.02 X CY ANB</b> FY 2023	<b>\$292.02 X CY ANB</b> FY 2022	<b>\$292.02 X CY ANB</b> FY 2023	Biennium
Districts	40,020,799	40,216,362	40,390,768	195,563	369,969	
Cooperatives	4,682,081	4,701,733	4,718,013	19,652	35,932	
	<u>44,702,880</u>	<u>44,918,095</u>	<u>45,108,781</u>	<u>215,215</u>	<u>405,901</u>	
GTB				80,032	112,778	
Total State				295,247	518,679	813,926
BASE Levy Increase				42,945	65,489	108,434

3. SPED appropriation adjusted for estimated inflation & adjusted for estimated enrollment increases						
	Current Base	Est 2.16% <b>\$298.32 X CY ANB</b> FY 2022	Est 2.26% <b>\$305.07 X CY ANB</b> FY 2023	Est 2.16% <b>\$298.32 X CY ANB</b> FY 2022	Est 2.26% <b>\$305.07 X CY ANB</b> FY 2023	Biennium
Districts	40,020,799	41,085,465	42,196,264	1,064,666	2,175,465	
Cooperatives	4,682,081	4,802,861	4,928,346	120,780	246,265	
	<u>44,702,880</u>	<u>45,888,326</u>	<u>47,124,610</u>	<u>1,185,446</u>	<u>2,421,730</u>	
GTB				340,043	705,771	
Total State				1,525,489	3,127,501	4,652,990
BASE Levy Increase				142,473	345,743	488,216

Special Education Appropriation Adjustments with Five Year Inflationary Adjustment

4. SPED appropriation increased for "catch-up" & adjusted for estimated inflation							
	Inc 2.68%		Est 2.16%	Est 2.26%	Est 2.16%	Est 2.26%	
	Current Base	Bumped Base	FY 2022	FY 2023	FY 2022	FY 2023	Biennium
Districts	40,020,799	41,091,851	41,982,884	42,935,827	1,962,085	2,915,028	
Cooperatives	4,682,081	4,808,156	4,908,563	5,015,367	226,482	333,286	
	<u>44,702,880</u>	<u>45,900,007</u>	<u>46,891,447</u>	<u>47,951,194</u>	<u>2,188,567</u>	<u>3,248,314</u>	
GTB					647,524	944,627	
Total State					<u>2,836,091</u>	<u>4,192,941</u>	<u>7,029,032</u>
BASE Levy Increase					259,468	458,172	717,640

5. SPED appropriation increased for "catch-up" & adjusted for estimated enrollment increases							
	Inc 2.68%		\$299.84 X CY ANB	\$299.84 X CY ANB	\$299.84 X CY ANB	\$299.84 X CY ANB	
	Current Base	Bumped Base	FY 2022	FY 2023	FY 2022	FY 2023	Biennium
Districts	40,020,799	41,091,851	41,292,647	41,471,721	1,271,848	1,450,922	
Cooperatives	4,682,081	4,808,156	4,828,339	4,845,057	146,258	162,976	
	<u>44,702,880</u>	<u>45,900,007</u>	<u>46,120,986</u>	<u>46,316,778</u>	<u>1,418,106</u>	<u>1,613,898</u>	
GTB					427,953	461,083	
Total State					<u>1,846,059</u>	<u>2,074,981</u>	<u>3,921,040</u>
BASE Levy Increase					148,820	252,057	400,878

6. SPED appropriation increased for "catch-up" & adjusted for estimated inflation & adjusted for estimated enrollment increases							
	Inc 2.68%		Est 2.16%	Est 2.26%	Est 2.16%	Est 2.26%	
	Current Base	Bumped Base	\$306.31 X CY ANB	\$313.23 X CY ANB	\$306.31 X CY ANB	\$313.23 X CY ANB	Biennium
Districts	40,020,799	41,091,851	42,184,205	43,326,441	2,163,406	3,305,641	
Cooperatives	4,682,081	4,808,156	4,932,994	5,060,149	250,913	378,069	
	<u>44,702,880</u>	<u>45,900,007</u>	<u>47,117,199</u>	<u>48,386,590</u>	<u>2,414,319</u>	<u>3,683,710</u>	
GTB					714,062	1,096,948	
Total State					<u>3,128,381</u>	<u>4,780,658</u>	<u>7,909,039</u>
BASE Levy Increase					294,165	503,931	798,096

Fiscal 2020

Fiscal 2021

	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
--	--------------	-----------------------	-------------------------	-------------	-------	-------	--------------	-----------------------	-------------------------	-------------	-------	-------

**OFFICE OF PUBLIC INSTRUCTION (35010)**

1. State Level Activities (06)	8,207,321	245,145	17,474,245	0	0	25,926,711	8,213,618	245,433	17,474,789	0	0	25,933,840
a. Audiological Services (Restricted)	508,000	0	0	0	0	508,000	508,000	0	0	0	0	508,000
b. Montana Digital Academy (Restricted)	2,000,500	0	0	0	0	2,000,500	2,000,500	0	0	0	0	2,000,500
2. Local Education Activities (09)	0	750,000	154,735,391	0	0	155,485,391	0	750,000	155,735,391	0	0	156,485,391
a. Advancing Agricultural Education (Restricted/Biennial)	151,956	0	0	0	0	151,956	151,960	0	0	0	0	151,960
b. In-State Treatment (Restricted/Biennial)	787,801	0	0	0	0	787,801	787,801	0	0	0	0	787,801
c. Secondary Vo-ed (Restricted/Biennial)	2,000,000	0	0	0	0	2,000,000	2,000,000	0	0	0	0	2,000,000
d. Adult Basic Education (Restricted/Biennial)	525,000	0	0	0	0	525,000	525,000	0	0	0	0	525,000
e. Gifted and Talented (Restricted/Biennial)	350,000	0	0	0	0	350,000	350,000	0	0	0	0	350,000
f. K-12 BASE Aid (Restricted/Biennial)	751,265,382	0	0	0	0	751,265,382	771,187,564	0	0	0	0	771,187,564
g. At-Risk Student Payment (Restricted/Biennial)	5,541,074	0	0	0	0	5,541,074	5,641,973	0	0	0	0	5,641,973
h. State Block Grants (Restricted/Biennial)	1,693,274	0	0	0	0	1,693,274	1,693,274	0	0	0	0	1,693,274
i. State Tuition Payments (Restricted/Biennial)	377,675	0	0	0	0	377,675	377,675	0	0	0	0	377,675
j. Special Education (Restricted/Biennial)	43,509,471	0	0	0	0	43,509,471	43,509,471	0	0	0	0	43,509,471
k. Debt Service Assistance (Restricted)	0	0	0	0	0	0	0	2,500,000	0	0	0	2,500,000
l. School Food (Restricted/Biennial)	663,862	0	0	0	0	663,862	663,862	0	0	0	0	663,862
m. Transportation (Restricted/Biennial)												

**E. EDUCATION**

Note—the sp ed base used in the preceding tables is the sum of the FY 21 approp in HB 2 and the increase to the sp ed approp in HB 638 (2019; Bedey): \$43,509,471 + \$1,193,409 = \$44,702,880



**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

\*\*\*\* Bill No. \*\*\*\*

Introduced By \*\*\*\*\*

By Request of the \*\*\*\*\*

**FOR LFC ED SUBCOMMITTEE DISCUSSION PURPOSES ONLY**

A Bill for an Act entitled: "An Act revising special education funding; establishing a method for calculating the special education allowable cost payment; including the special education allowable cost payment in the definition of BASE aid; applying the inflation factor calculated under 20-9-326, MCA, to the special education allowable cost payment for determining the present law base calculated under Title 17, chapter 7, part 1, MCA; amending sections 20-9-306 and 20-9-326, MCA; and providing an effective date and an applicability date."

Be it enacted by the Legislature of the State of Montana:

**Section 1.** Section 20-9-306, MCA, is amended to read:

**"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;

(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of

**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment;

- (c) the total quality educator payment;
- (d) the total at-risk student payment;
- (e) the total Indian education for all payment;
- (f) the total American Indian achievement gap payment; ~~and~~
- (g) the total data-for-achievement payment; and
- (h) the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian achievement gap payment, 100% of the total data-for-achievement payment, and 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education

**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) for each high school district:

(i) \$315,481 for fiscal year 2020 and \$321,254 for each succeeding fiscal year for school districts with an ANB of 800 or fewer; and

(ii) \$315,481 for fiscal year 2020 and \$321,254 for each succeeding fiscal year for school districts with an ANB of more than 800, plus \$15,774 for fiscal year 2020 and \$16,063 for each succeeding fiscal year for each additional 80 ANB over 800;

(b) for each elementary school district or K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) \$52,579 for fiscal year 2020 and \$53,541 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(ii) \$52,579 for fiscal year 2020 and \$53,541 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250, plus \$2,630 for fiscal year 2020 and \$2,678 for each succeeding fiscal year for each additional 25 ANB over 250;

(c) for each elementary school district or K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) for the district's kindergarten through grade 6 elementary program:

(A) \$52,579 for fiscal year 2020 and \$53,541 for each

**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(B) \$52,579 for fiscal year 2020 and \$53,541 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250, plus \$2,630 for fiscal year 2020 and \$2,678 for each succeeding fiscal year for each additional 25 ANB over 250; and

(ii) for the district's approved and accredited junior high school, 7th and 8th grade programs, or middle school:

(A) \$105,160 for fiscal year 2020 and \$107,084 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of 450 or fewer; and

(B) \$105,160 for fiscal year 2020 and \$107,084 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of more than 450, plus \$5,258 for fiscal year 2020 and \$5,354 for each succeeding fiscal year for each additional 45 ANB over 450.

(7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to 20-9-311.

(8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(9) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district,



**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

the total quality educator payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, the total data-for-achievement payment, and the greater of the district's special education allowable cost payment multiplied by:

(a) 175%; or

(b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a maximum allowable ratio of 200%.

(10) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(11) "Total American Indian achievement gap payment" means the payment resulting from multiplying \$216 for fiscal year 2020 and \$220 for each succeeding fiscal year times the number of American Indian students enrolled in the district as provided in 20-9-330.

(12) "Total at-risk student payment" means the payment resulting from the distribution of any funds appropriated for the purposes of 20-9-328.

(13) "Total data-for-achievement payment" means the payment provided in 20-9-325 resulting from multiplying \$21.03 for fiscal year 2020 and \$21.41 for each succeeding fiscal year by the district's ANB calculated in accordance with 20-9-311.

(14) "Total Indian education for all payment" means the

**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

payment resulting from multiplying \$21.96 for fiscal year 2020 and \$22.36 for each succeeding fiscal year times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

(15) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

(a) for a high school district or a K-12 district high school program, a maximum rate of \$7,201 for fiscal year 2020 and \$7,333 for each succeeding fiscal year for the first ANB, decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of \$5,624 for fiscal year 2020 and \$5,727 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

(i) a maximum rate of \$5,624 for fiscal year 2020 and \$5,727 for each succeeding fiscal year for the first ANB for

**Unofficial Draft Copy**

As of: December 31, 2019 (12:18pm)

LCSE01

kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of \$7,201 for fiscal year 2020 and \$7,333 for each succeeding fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB.

(16) "Total quality educator payment" means the payment resulting from multiplying \$3,275 for fiscal year 2020 and \$3,335 for each succeeding fiscal year by the number of full-time equivalent educators as provided in 20-9-327.

(17) "The total special education allocation" means the state payment distributed pursuant to 20-9-321 that is the greater of the amount resulting from multiplying \$298.32 for fiscal year 2022 and \$305.07 for each succeeding fiscal year by the statewide current year ANB or the amount necessary to meet federal maintenance of effort requirements for state support of special education pursuant to IDEA."

{*Internal References to 20-9-306:*

20-5-323    20-5-323    20-6-326    20-7-102  
20-7-1404    20-7-1404    20-7-1404    20-7-1503  
20-7-1503    20-7-1503    20-7-1602    20-7-1602  
20-9-325    20-9-327    20-9-329    20-9-330  
20-9-376}

**Section 2.** Section 20-9-326, MCA, is amended to read:

**"20-9-326. Annual inflation-related adjustments to basic entitlements and per-ANB entitlements.** (1) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of public instruction shall determine the inflation factor for the basic and per-ANB entitlements, the data-for-achievement payment, the per-ANB amount used to calculate the total special education allocation in 20-9-306, and the general fund payments in 20-9-327 through 20-9-330 in each fiscal year of the ensuing biennium. The inflation factor is calculated as follows:

(a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the resulting ratio to the power of one-third; and

(b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and raise the resulting ratio to the power of one-third.

(2) The present law base for the entitlements referenced in subsection (1), calculated under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the inflation factor calculated pursuant to this section, not to exceed 3% in each year, applied to both years of the biennium.

(3) For the purposes of this section, "consumer price index" means the consumer price index, U.S. city average, all

# Unofficial Draft Copy

As of: December 31, 2019 (12:18pm)

LCSE01

urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S.

department of labor."

{*Internal References to 20-9-326:*  
20-9-376 20-9-635 53-6-125}

NEW SECTION. **Section 3. {standard} Effective date.** [This act] is effective July 1, 2021, and applies to school fiscal years beginning on or after July 1, 2021.

- END -

{Name : Padraic McCracken  
Title : Legislative Research Analyst  
Agency: Legislative Services Division  
Phone : 406-444-3595  
E-Mail: padmccracken@mt.gov}