

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

RECEIVED

MAR 31 2022

**ATTORNEY GENERALS OFFICE
HELENA, MONTANA**


GREG GIANFORTE
GOVERNOR



CAPITOL BUILDING - P.O. BOX 200802
HELENA, MONTANA 59620-0802

M E M O R A N D U M

TO: Derek Oestreicher, Deputy Attorney General
Montana Department of Justice

FROM: Ryan Osmundson, Director 
Office of Budget and Program Planning

RE: Fiscal note for "Ballot Issue # 33"

DATE: March 30, 2022

In accordance with section 13-27-312, MCA, we are submitting the attached fiscal note for Ballot Issue # 33.

Please contact Amy Sassano if you have questions regarding the fiscal note.

c: Dana Corson, Director
Elections & Voter Services
Secretary of State



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill #	CI 33	Title:	Constitutional Initiative to Provide Prekindergarten Education
---------------	-------	---------------	--

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
Expenditures:				
General Fund	\$0*	\$0*	\$0*	\$0*
Revenue:				
General Fund	\$0*	\$0*	\$0*	\$0*
Net Impact-General Fund Balance:	<u><u>\$0*</u></u>	<u><u>\$0*</u></u>	<u><u>\$0*</u></u>	<u><u>\$0*</u></u>

* See assumptions 2 and 3.

Description of fiscal impact: Ballot Initiative 33 is a Constitutional Initiative to include prekindergarten in Article X of the Montana State Constitution. Modification of Article X does not increase the cost of school district funding, however, should a future legislature include funding for prekindergarten as a portion of the BASE aid funding formula the estimated increase would be approximately \$9 million annually or approximately \$4,000 per additional enrolled student. These estimates are based on a 30% participation rate attending half-day prekindergarten programs.

FISCAL ANALYSIS

Assumptions:

Board of Public Education

- Should ballot initiative 33 pass, the Board of Public Education would need to amend Administrative Rules in Chapter 53 of the Content Standards and in the Early Childhood Education Standards in Chapter 63 costing about \$2,500 in FY 2024.

Office of Public Instruction (OPI)

- Ballot Initiative 33, if passed, would have no immediate cost to the state. The legislature would need to amend statute to include prekindergarten students in the school funding formula.

3. For purposes of this fiscal note, the OPI assumes legislation would be passed in the 2023 Legislative Session to include prekindergarten students in the school funding formula beginning in FY 2024 and beyond and estimates 30% of eligible students would participate in half-day prekindergarten programs across the state.
4. The average number belonging (ANB), student count, used to determine school district 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.

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
K-6 ANB	83,569	84,269	84,999	85,703	86,332
7-8 ANB	24,442	24,351	24,529	24,707	24,887
9-12 ANB	45,912	46,527	46,393	46,083	45,775
	153,923	155,147	155,921	156,493	156,994

5. The current number of FTE (including school districts and special education cooperatives) generating the quality educator payment is estimated to be:

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
School Districts	13,326.927	13,326.927	13,326.927	13,326.927	13,326.927
Special Ed Coops	165.709	165.709	165.709	165.709	165.709
Total FTE	13,492.636	13,492.636	13,492.636	13,492.636	13,492.636

6. 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, and the At-Risk components, and the Special Education Allowable Cost payment (20-9-326, MCA) is 2.70% in FY 2024 and 2.78 % in FY 2025. Present law budget, entitlement and components are set as follows:

Basic Entitlements	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Basic	\$55,741	\$57,246	\$58,837	\$60,473	\$62,154
Middle School Basic	\$111,483	\$114,493	\$117,676	\$120,947	\$124,309
High School Basic	\$334,453	\$343,483	\$353,032	\$362,846	\$372,933

Basic Entitlement Increments	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary (Each 25 ANB > 250 ANB)	\$2,788	\$2,863	\$2,943	\$3,025	\$3,109
Middle School (Each 45 ANB > 450 ANB)	\$5,574	\$5,883	\$6,047	\$6,047	\$6,215
High School (Each 80 ANB past 800 ANB)	\$16,723	\$17,175	\$17,652	\$18,143	\$18,647

Per ANB Entitlements	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Elementary Per-ANB	\$5,962	\$6,123	\$6,293	\$6,468	\$6,648
High School Per-ANB	\$7,634	\$7,840	\$8,058	\$8,282	\$8,512
Direct State Aid (DSA) Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

Components	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Indian Education for All	\$23.28	\$23.91	\$24.57	\$25.25	\$25.95
Indian Achievement Gap	\$229	\$235	\$242	\$249	\$256
Quality Educator	\$3,472	\$3,566	\$3,665	\$3,767	\$3,872
At Risk	\$5,872,777	\$6,032,369	\$6,200,069	\$6,372,431	\$6,549,585
Data for Achievement	\$22.29	\$22.89	\$23.53	\$24.18	\$24.85
Special Ed Allowable Cost Payment	\$286.02	\$293.74	\$301.91	\$318.93	\$327.79

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

Payment	FY 2024	FY 2025
Direct State Aid	\$522.1 million	\$537.9 million
Guaranteed Tax Base Aid	\$264.3 million	\$276.3 million
County Retirement GTB	\$49.1 million	\$50.9 million
Indian Education for All	\$3.7 million	\$3.8 million
American Indian Achievement Gap	\$4.9 million	\$5.0 million
Quality Educator	\$48.1 million	\$49.5 million
Data for Achievement	\$3.6 million	\$3.7 million
Special Ed Allowable Cost Payment	\$45.57 million	\$47.07 million


8. The Natural Resources Development payment is estimated to be \$12.1 million in FY 2024 and \$12.1 million in FY 2025, if all school districts levied to receive the maximum amount of funding.
9. Direct State Aid, Guaranteed Tax Base 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 known and projected statutory entitlements, known and projected enrollment counts, and known and projected property tax values.
10. The statewide present law taxable valuations are forecast to increase by 6.33% in FY 2024 and 1.74% in FY 2025.
11. 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, and At-Risk components, and the Special Education Allowable Cost payment.
12. The general fund guaranteed tax base multiplier is set at 254% for all years reported.
13. For the purposes of this fiscal note, it is assumed that prekindergarten students would be enrolled in approved classrooms and for the purposes of inclusion in the calculation of BASE Aid funding for school districts and are assumed to be counted as halftime enrolled.
14. In the final students enrolled report for the purposes of ANB funding, fall FY 2022 indicates that there were 12,828 students enrolled in kindergarten programs.
15. The Office of Public Instruction (OPI) estimates that 30% of this number would enroll in approved public school prekindergarten programs, or 3,848 students.
16. These students are to be considered half-time enrolled for the purposes of the ANB calculation. This calculation is estimated as follows: $\text{Current Year ANB} = ((3,848 \times 0.5) \times 187) / 180$ or 2,000 additional current year ANB.
17. Proportionately distributing this estimated current year ANB over all districts currently providing kindergarten programs and adjusting for the three-year average adjustment budget limitation, ANB (20-9-311, MCA) is estimated to increase by 1,578 in FY 2023.
18. School district budgets are determined on whichever ANB, current year or three-year average, generates the highest budget for the district. This budget determining ANB is termed budget limitation ANB.
19. The OPI estimates that school FTE will increase, on average, at a rate of one per 18 additional enrolled students or $(3,848 / 18) / 2 = 107$ FTE rounded to 100 additional FTE. These FTE would be included in the calculation of the quality educator payment (QE) in the BASE aid formula. The statutory rate in FY 2023 will be \$3,472 generating and increase in the QE payment of \$347,200.

20. For the purposes of this fiscal note, it is estimated that 340 preschool students will self-identify as American Indian students to be included in the calculation for the American Indian achievement gap payment.
21. The following is the estimate of increases to BASE aid state funding related to increases for approved public preschool participating providers. This would be paid from the state general fund.

BASE Aid Funding Component	FY 2024	FY 2025
Direct State Aid	\$5,066,286	\$5,692,645
Special Education	\$593,649	\$615,407
Guaranteed Tax Base Aid	\$2,157,064	\$2,234,265
Indian Education for All Payment	\$44,809	\$49,991
Achievement Gap Payment	\$79,900	\$82,280
Quality Educator Payment	\$356,600	\$366,500
Data for Achievement Payment	\$42,965	\$48,001
Retirement GTB	\$380,696	\$394,757
Total	\$8,721,969	\$9,483,846

Effect on County or Other Local Revenues or Expenditures:

1. The local property tax impact statewide related to adding prekindergarten ANB to the school funding formula would be an increase of \$1.8 million in FY2023, \$2.0 million in FY2024 & \$2.1 million in FY2025.

<i>Sponsor's Initials</i>	<i>Date</i>	 <i>Budget Director's Initials</i>	<i>3-30-22</i> <i>Date</i>
---------------------------	-------------	---	-------------------------------