



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0266: Establish education inflation reconciliation process

Primary Sponsor: Luke Muszkiewicz 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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$92,512,066
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$92,512,066)</u>
General Fund Balance				

Description of fiscal impact

HB 266 amends section 20-9-326, MCA, by altering the current inflation calculation when preparing and submitting an OPI BASE Aid budget. This act also requires the Superintendent of Public Instruction report to interim committees in reference to these changes. The total state general fund cost would be \$92.5 million with a local property tax increase of \$14.6 million beginning in FY 2029.

FISCAL ANALYSIS

Assumptions

Legislative Branch

- Section (2)(b) of HB 266 modifies 20-9-326, MCA for the Legislative Branch by requiring the superintendent of public instruction provide a report no later than September 1 to the education interim budget committee and the education interim committee in accordance with 5-11-210, MCA, and providing reporting requirements.
- This is part of normal duties of both legislative committees, so there is no fiscal impact to the Legislative Branch.

Office of Public Instruction

- HB 266 adds to the calculation of inflation under section 20-9-326(2), MCA, an amount to be added to the calculated amount termed the *inflation reconciliation factor*. This factor is described in the Section 1, subsection 3, of the bill.
- The inflation reconciliation factor is an amount to be added to the currently defined annual inflation-related adjustments and applied to the second year of the biennium to which such present law applies.
- The inflation reconciliation factor is to be determined and reported to the interim education and budget committees as follows:
 - the increase in funding on a per-ANB basis for the K-12 BASE Aid elements represented in 20-9-306(2)(a) and (2)(c) through (2)(h) budgeted to be provided to school districts in the first year of the

- current biennium and the five most recent past fiscal years, which must be reported in both dollar and percentage amounts.
- b. The one-year percent change from July of the preceding year to July, in the consumer price index, U.S. city average, all urban consumers, for all items, as published by the bureau of labor statistics of the United States department of labor for the first fiscal year of the current biennium and each the five most recent past fiscal years.
 - c. a six-year cumulative numerical comparison of the difference between the percentages in (a) and (b) determined above. If the calculation results in a product that is positive, the value is defined as the *inflation reconciliation factor* and is to be incorporated in the calculation of present law base for the entitlements measured in section 20-9-306(2)(a) and (2)(c) through (2)(h) for the second year of the biennium to which the present law applies.
4. Parts 20-9-306(2)(a) and (2)(c) through (2)(h) include the following:
 - a. direct state aid
 - b. quality educator payment
 - c. at-risk student payment
 - d. Indian education for all payment
 - e. American Indian achievement gap payment
 - f. data-for-achievement payment
 - g. special education allowable cost payment.
 5. For the purposes determining the *inflation reconciliation factor*, "consumer price index" means the consumer price index, U.S. city average, all 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."
 6. The current inflationary adjustments as described in section 20-9-326, MCA, are estimated as follows:

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Est Inflation	1.83%	1.50%	2.57%	2.70%	3.00%	3.00%	3.00%

1. Historic and projected entitlements of these funding components are provided in the following table along with estimated adjustments for the inflation reconciliation factor beginning with FY 2029.

	Actual		Biennium		Biennium		Biennium		
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Projected FY 2026	Projected FY 2027	Projected FY 2028	Projected FY 2029
	20-9-306, MCA								
direct state aid	482,062,605	485,982,681	504,512,078	518,395,102	535,686,402	548,288,179	561,752,664	578,874,155	596,534,295
quality educator payment	42,456,625	43,792,152	46,980,347	48,070,340	48,353,620	49,784,704	51,271,797	52,811,530	54,390,743
at-risk student payment	5,639,695	5,725,647	5,871,950	6,029,193	6,212,607	6,399,740	6,591,732	6,789,484	6,993,169
Indian education for all payment	3,469,365	3,488,986	3,620,666	3,720,174	3,822,779	3,909,590	4,000,637	4,119,802	4,243,767
American Indian achievement gap payment	4,542,780	4,593,354	4,736,178	4,910,795	5,053,928	5,200,116	5,346,304	5,513,376	5,680,448
data-for-achievement payment	3,321,911	3,339,858	3,466,652	3,561,409	3,659,781	3,743,113	3,830,512	3,932,708	4,050,190
special education allowable cost payment.	44,702,880	44,702,880	44,702,880	45,386,649	46,159,146	47,538,533	48,964,857	50,433,894	52,131,057
	586,195,861	591,625,557	613,890,752	630,073,663	648,948,263	664,863,976	681,758,503	702,474,949	724,023,668
Budget Limit ANB	155,157	153,698	155,525	155,588	155,183	153,635	152,711	152,549	152,548
State/ANB	3,778	3,849	3,947	4,050	4,182	4,328	4,464	4,605	4,746
(a)									
Amount of Change in dollars	15,618,676	5,429,696	22,265,195	16,182,911	18,874,600	15,915,713	16,894,527	20,716,446	21,548,719
Amount of Change in \$ Per-Pupil	63	71	98	102	132	146	137	141	141
Amount of Change \$ Per-Pupil in percent	1.69%	1.88%	2.54%	2.59%	3.26%	3.48%	3.16%	3.15%	3.07%
(b)									
Annual CPI-U July	5.4%	8.5%	3.2%	2.9%	3.0%	2.0%	2.0%	2.0%	2.0%
(c)									
inflation reconciliation factor							15.47%		
								25.00%	
									9.53%
Leg approved annual inflation or Est capped a	1.83%	1.50%	2.57%	2.70%	3.00%	3.00%	3.00%	2.61%	2.35%
Inflation reconciliation factor applied to CPI 20-9-326, MCA									11.88%
									First year of application

Fiscal Analysis Table

	<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>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Retirement Guaranteed Tax Base Aid	\$0	\$0	\$0	\$1,556,234
At Risk	\$0	\$0	\$0	\$602,906
Local Assistance	\$0	\$0	\$0	\$0
Special Education Allowable Cost Payment	\$0	\$0	\$0	\$4,494,664
Direct State Aid	\$0	\$0	\$0	\$52,214,136
Guaranteed Tax Base Aid	\$0	\$0	\$0	\$27,750,312
Indian Education for All	\$0	\$0	\$0	\$365,852
Close Achievement Gap	\$0	\$0	\$0	\$480,332
Quality Educator Payment	\$0	\$0	\$0	\$4,698,160
Data for Achievement	\$0	\$0	\$0	\$349,470
TOTAL Expenditures	\$0	\$0	\$0	\$92,512,066
<u>Funding of Expenditures</u>				
General Fund (01)	\$0	\$0	\$0	\$92,512,066
TOTAL Funding of Expenditures	\$0	\$0	\$0	\$92,512,066
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	\$0	\$0	\$0	(\$92,512,066)

Effect on County or Other Local Revenues or Expenditures

Office of Public Instruction

- Property taxes may increase by \$14,553,384, beginning FY 2029 and ongoing as a result of HB 266

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date 1/27/25



Budget Director's Initials

Date 1/26/2025