

Comments from MT-PEC on HB 2 Amendments made in Senate Finance & Claims Committee 3-28-17

Amendments to HB 2 coming together to show the likely picture for K-12 public schools in the 2017 Session and Beyond

The Senate Finance and Claims Committee adopted amendments on K-12 public schools funding that, if accepted by the House and coordinated with House Bill 647 (the Section E companion bill), will eliminate the budget authority cuts that have been hanging around for the last month since House Bill 191 passed.

While the amendments preserve several K-12 funding streams against cuts that appeared to be all but inevitable given the financial circumstances facing the state, the amendments also enact some substantial changes in the way schools will be funded in the long run.

These amendments are significant, in that the state has been facing a shortfall in Section E related to K-12 public schools of approximately \$28 million in the first year (\$17 million of which has been around since January and another \$11 million of which came from revised enrollment figures in February). Until now, there was a continued likelihood of K-12 budget cuts to make up for that shortfall.

Key elements of the proposals at hand include:

FY2018 (first year of the coming biennium):

1. School district general fund block grants of approximately \$54 million per year are eliminated. Guaranteed Tax Base Aid increases by approximately \$25 million to cover some of that loss. Net savings to the state from this amendment is approximately \$29 million.
2. Eliminate the Natural Resource Development payment saves \$10.5 million, which is reduced to \$4.9 million savings after Guaranteed Tax Base Aid increases by \$5.6 million.
3. The \$34 million savings to the state is used in part to preserve the following funding streams that have been scheduled to be cut:
 - a. Restore the Data for Achievement Payment at approximately \$3.1 million
 - b. Special education funding at approximately \$220,000
 - c. Digital academy funding at approximately \$830,000
 - d. Career and Technical Education funding at approximately \$1 million (high school only)
 - e. Fix a technical/calculation error in House Bill 2 at \$2.4 million.
 - f. Fund a Coal Plant Closure mitigation block grant for Colstrip Public schools, \$1.7 million.

Net savings in the first year of the biennium is approximately \$24.5 million, which is used to cover most of the \$27 million shortfall for K-12 schools that has been unresolved until now.

FY2019 (second year of the biennium):

1. The state begins phasing in a substantial increase in GTB aid, which is scheduled for a 4 year phase in until GTB aid has increased by the same amount (approximately \$54 million) as was taken away in school district general fund block grants in FY2018. The increase in GTB in FY2019 increases state funding of GTB by \$16.5 million and the GTB ratio of 193% under existing law grows (216% for fiscal year 2019, 224% for fiscal year 2020, and 232% for fiscal year 2021 and each succeeding fiscal year) until the full loss of the block grants are covered.
2. The Natural Resource Development payment is converted and revived as a new source for the state's subsidy of SB 307 major maintenance levies. The phase in is \$5.8 million dollars in fiscal year 2019, \$6.4 million dollars in fiscal year 2020, \$7.6 million dollars in 2021, \$10 million in 2022, and

increased by an inflationary adjustment calculated as provided in 20-9-326 in each succeeding fiscal year.

3. Restore the Data for Achievement Payment at approximately \$3.1 million
4. Special education funding at approximately \$1.2 million
5. Digital academy funding at approximately \$830,000
6. Career and Technical Education funding at approximately \$1 million (high school only)
7. Fix a technical/calculation error in House Bill 2 at \$4.1 million.
8. Fund a Coal Plant Closure mitigation block grant for Colstrip Public schools, \$1.7 million.

The new changes to the formula in FY2019 eat up all but about \$300,000 in savings.

The next step is to watch for changes to House Bill 647 as it continues progress. We anticipate that corresponding changes to House Bill 647 will be made by the Senate once that bill passes the House but that could change. Things are always pretty fluid and evolving at this point in the Session.