



Education Interim Committee
65th Montana Legislature

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TO: Education Interim Committee
FROM: Pad McCracken, Committee Staff
RE: HJ 1 Bill Drafts and Gifted and Talented Letter to Education Entities
DATE: June 1, 2018

At the March EDIC meeting, the committee directed staff to prepare three bill drafts in relation to the HJ 1 study of funding for educational programs serving students with special needs, as well as a letter to various state education entities regarding committee concerns related to gifted and talented programs. This memo provides brief explanation of the bill drafts. The drafts and a draft letter on gifted and talented are attached for the committee's consideration at the June meeting.

1. **LC HB32**—this bill draft is basically identical to [HB 32](#), one of three drafts regarding the state special education payment recommended by the 2015-16 School Funding Interim Commission to the 2017 Legislature, none of which were enacted. It does two things:
 - a. Increases the state special education payment for FY 20 and FY 21 as if the payment received the inflationary adjustments other components of Montana's funding formula receive, plus an additional increase of \$2 million/year;
 - b. Tweaks the distribution percentages of the payment so that the additional \$2 million is directed to special education cooperatives. So, both school districts and special education cooperatives benefit under this bill, but co-ops benefit more. It's basically a bigger pie with the size of the slices adjusted. See Figures 1 and 2 on page 3.

LC HB32 would not add the special education payment to the list of components receiving inflationary adjustments as part of the budget process. Its increases would most likely be sustained due to federal maintenance of effort requirements, but it would not provide future ongoing increases as would LC INFL (see below).

Note—the dollar amounts listed in the bill draft are based on estimates of the inflationary adjustment calculated pursuant to 20-9-326, MCA, and will need to be updated after the July 2018 consumer price index is released. Also, increasing the special education payment will result in an increase in state GTB aid. While the special education payment appropriation increases in the bill total about \$5 million, the GTB

impact will add about another \$0.5 million to the total state cost. Because state special education payments require a local school district match, there will be an increase in local property taxes as well. The [fiscal note for HB 32](#) (2017; as introduced) estimated this local impact to be roughly \$100,000 statewide in the first fiscal year and \$150,000 in the second.

2. **LC INFL**—this draft adds the state special education payment to the other formula components receiving an inflationary adjustment in the budget that the superintendent of public instruction submits prior to each biennium. Because this change would impact the budgeting process going forward, it would not increase special education funding for the 2021 biennium.

See Figures 3 and 4 on page 4 for illustrations of the effects of LC HB32 and LC INFL.

3. **LC S191**—this draft allows a school district that is a member of a special education cooperative to permissively levy within the district’s tuition fund for the costs of special assessments required by the cooperative management board. (Co-op boards are composed of representatives of member districts.) Some co-ops have been forced to charge these assessments due to higher than expected costs. Districts would not be allowed to exercise this permissive levy authority if the district had revenue in its flexibility or impact aid funds to cover the assessment or if the district had received a refund of money from the co-op in any of the two previous years.

SB 191 (2013; Taylor Brown) created a permissive levy in the tuition fund for the costs of providing special education services to an individual student that exceed the funding the district already generates for that student. This new levy authority piggybacks on the SB 191 authority which is described in subsection (5)(a)(iii)(B) on page 4 of the draft.

Figure 1 – Distribution of Special Education Allowable Cost Payment (current law; based on FY 19 appropriation)

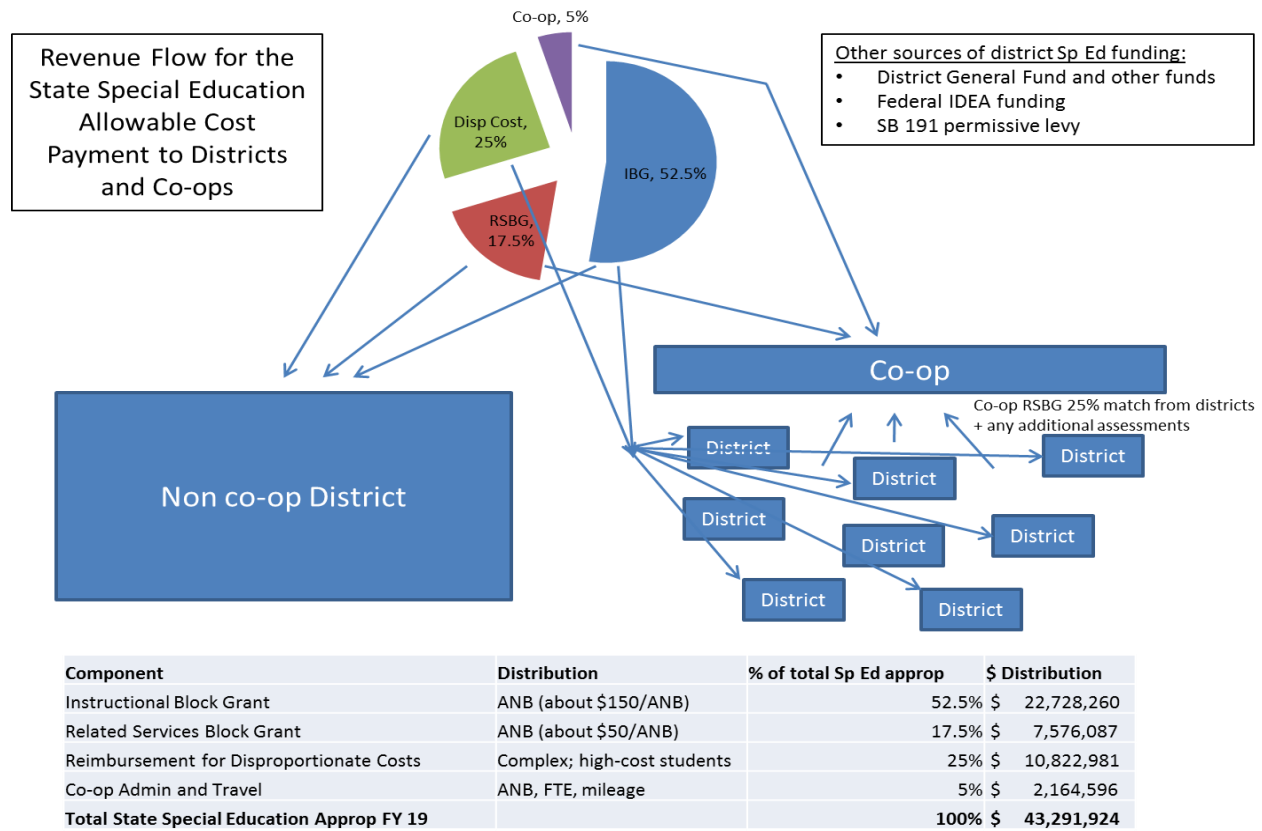


Figure 2 – Distribution of Special Education Allowable Cost Payment (LC HB32; based on FY 20 appropriation)

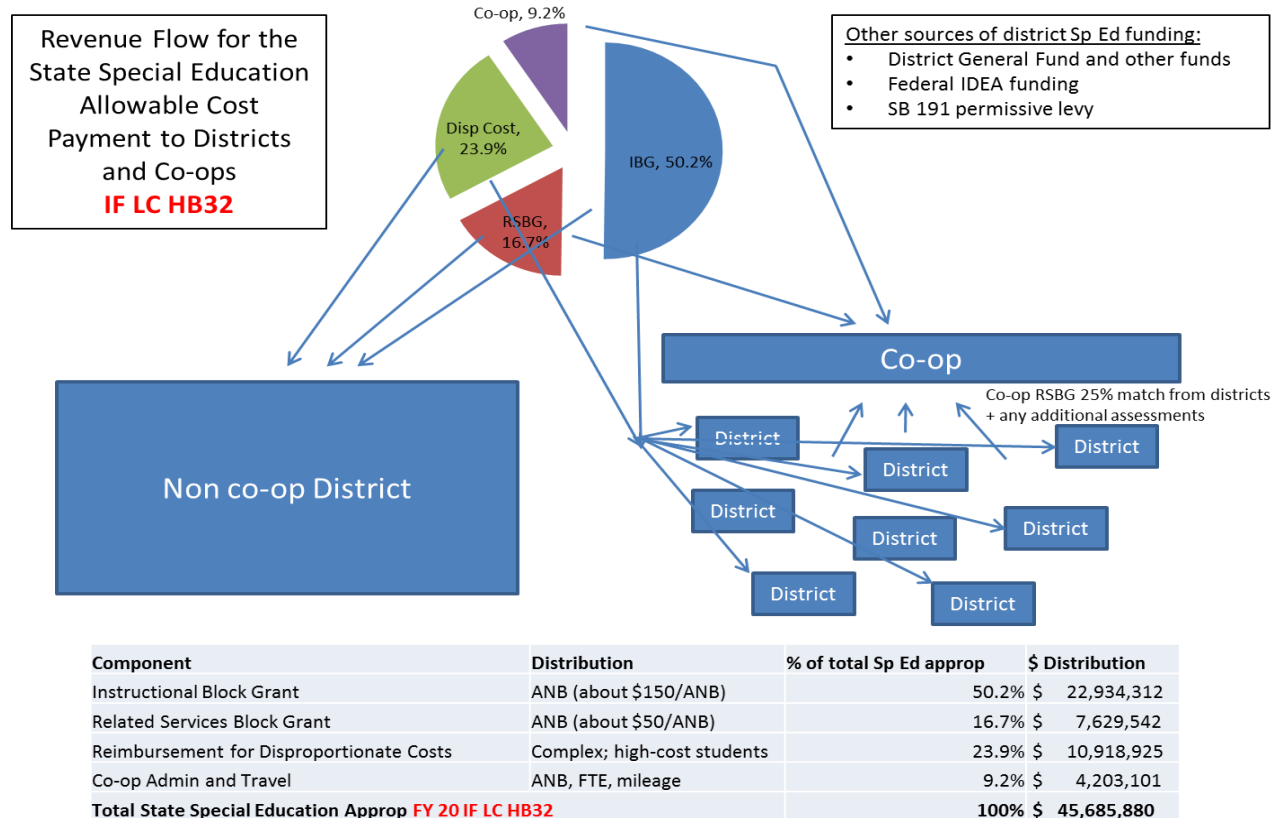


Figure 3 – Effects of no action, LC INFL, LC HB32, and both LC INFL and LC HB32 on total state Sp Ed Payment
 Note—both Figures 3 and 4 assume 1.0% inflation FY 20-25

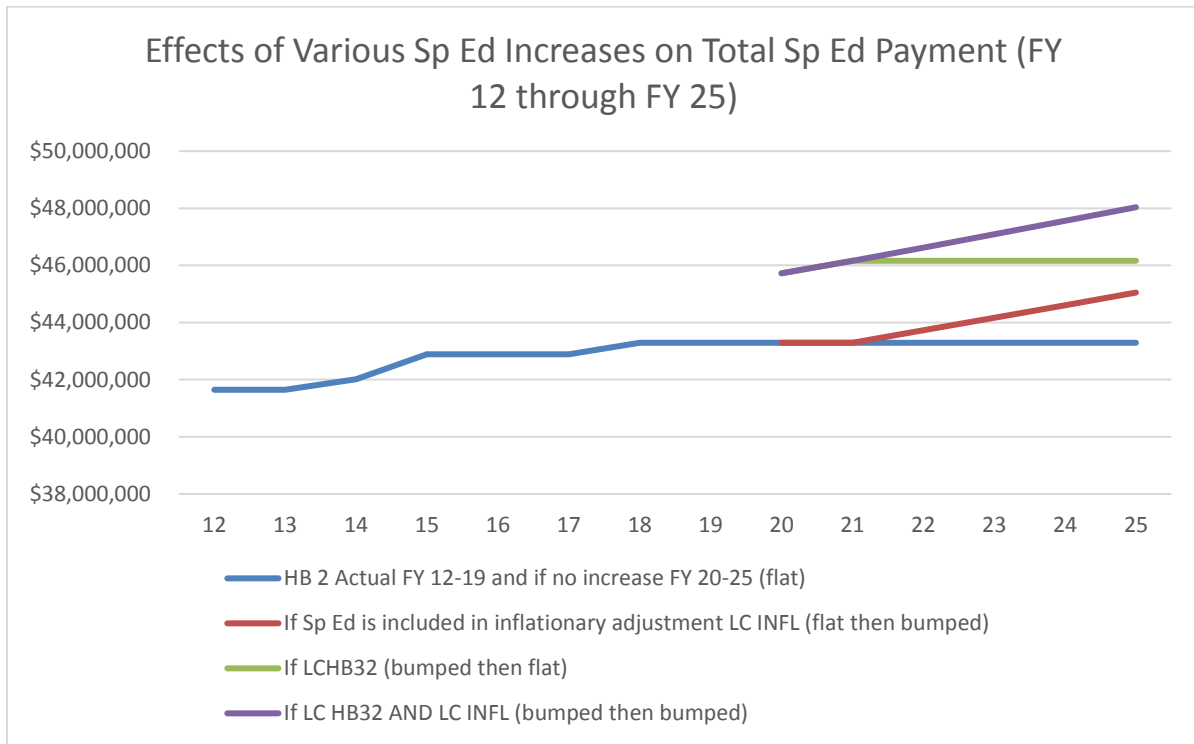


Figure 4 – Effects of no action, LC INFL, LC HB32, and both LC INFL and LC HB32 on sp ed co-ops (note these amounts include BOTH the Co-op Admin/Travel AND the Related Services Block Grant state distributions to co-ops)

