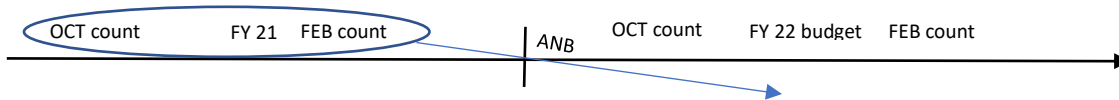


Funding for Enrollment Increases and Decreases

prepared for the Section E IBC by Paul Taylor, OPI, and Pad McCracken, LSD, September 2021

Montana's school funding formula is largely driven by the prior school year's enrollment.

The student counts in October and February are averaged and converted to ANB (Average Number Belonging). If not for the mechanisms described below, a district's budget for the ensuing year would be based on this ANB number.



3-year averaging provides a soft landing for districts with enrollment decreases

Districts that are experiencing declining enrollment are provided with a financial "soft landing" through the use of 3-year averaging—a district's budget limits are established on the HIGHER of the ANB calculated from the prior year's enrollment or the average ANB of the three most recent years. This is to help account for the fact that losing a handful of kids does not necessarily or immediately reduce the fixed costs of education.

Districts with enrollment increases can seek an early bump through two mechanisms

For districts experiencing increasing enrollment, rather than having the district wait until the following school year to see additional funding, the legislature has implemented two mechanisms to provide an early funding boost—referred to commonly as **anticipated and unanticipated enrollment increases**.

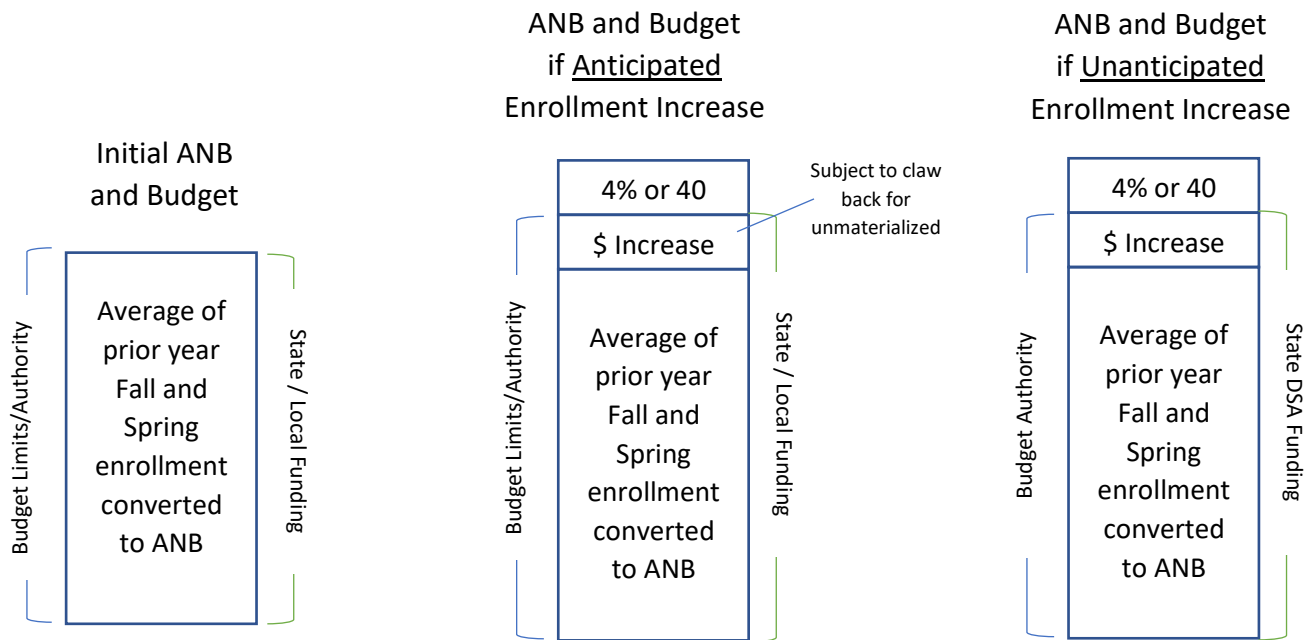
Both mechanisms include an amount of growth that districts are expected to absorb, the lesser of 4% or 40 students. Like declining enrollment, this is an acknowledgement that small increases in students don't necessarily result in cost increases.

	District A	District B	District C
Enrollment	100	1,000	4,000
Lesser of 4% or 40	4	40	40

Both mechanisms require a district to apply and be approved by the superintendent of public instruction.

Anticipated enrollment increases are applied for no later than June 1, and if approved, increase a district's general fund budget limits (BASE and maximum), state funding, and local funding. After the October student count, if any amount of the anticipated increase does not **materialize**, the state and local funding is returned through a **claw back**.

Unanticipated enrollment increases are applied for after either the October or February student counts (or both) and if approved, increase the amount of **direct state aid** (44.7% of the basic and per-ANB entitlements) a district receives. Local taxes, which have already been set, are not impacted, and because this increase is based on actual enrollment numbers there is no need for a "claw back".



Due to the uncertainty about enrollment changes related to COVID, HB 630 (2021; Bedey) suspended the anticipated enrollment increase mechanism and modified the unanticipated enrollment mechanism for FY 2022 and FY 2023. Some considerations about returning to the status quo after FY 2023 include:

1. Not all districts with increasing enrollment apply.
2. These increases are subject to approval by the superintendent of public instruction.
3. The absorption amount being the lesser than 4% or 40 creates a more advantageous system for larger districts.
4. The anticipated enrollment mechanism complicates the special education allowable cost payment calculation and also necessitates a complex "claw back" mechanism.
5. Both mechanisms create additional difficulty in estimating the amount of BASE aid necessary in HB 2.

Number of districts, ANB, and \$ required for Anticipated* and Unanticipated Enrollment

*Following any "claw back" for unmaterialized increases

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Anticipated								
Districts	9	9	10	9	16	6	8	10
ANB	270	260	338	510	273	85	141	494
\$**	\$761,000	\$673,000	\$1,115,000	\$1,670,000	\$812,000	\$249,000	\$426,000	\$1,112,000
Unanticipated								
Districts	36	24	31	34	28	33	31	17
ANB	453	285	361	460	271	684	686	435
\$	\$1,130,000	\$719,000	\$970,000	\$1,237,000	\$1,278,000	\$1,915,000	\$1,928,000	\$773,000
Total								
Districts	45	33	41	43	44	39	39	27
ANB	723	545	699	970	544	769	827	929
\$	\$1,891,000	\$1,392,000	\$2,084,000	\$2,908,000	\$2,090,000	\$2,164,000	\$2,354,000	\$1,886,000

**Anticipated \$ amounts do not include guaranteed tax base aid.