State Funding for BASE Aid, Budget Development & Explanation of Governor's Budget Present Law Request

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Appropriations Sub-Committee

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Agenda:

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Gathering the Pieces Needed to Begin Budget Development
Data Collection Requirements for BASE Budgets
A two-year cycle of Budget Development (calendar)
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<u>Overview:</u>

This presentation is to look deeper into process of budget development for what is known as BASE aid. Currently, BASE aid (Base Amount for School Equity) determines the largest state funding support for public school districts, serves in the development of the BASE and Maximum budget limits, contributes to voting limit calculations, and contributes to equalization by creating tax equity support through GTB mechanisms.

Opening Comment(s):

1. I'm told that when presenting, if you cannot make your point within 7 minutes you shouldn't be presenting at all. Therefore, this presentation will be a mixture of narrative, freeform discussion, your questions (hopefully answered), review of ancillary materials, additional presentation materials and most of all the supporting contributions provided by the members of this panel who are listed within the title of this document.

2. Although I'm frequently the OPI face you see making presentations and attending committee hearings know that there is an army of staff needed to calculate what is about to be presented. A few are contributing groups are mentioned as follows:

- Every school district clerk, business manager, enrollment clerk, principal, superintendent and other school personnel contribute
- Every county clerk, treasurer and superintendent
- All OPI non-fiscal data collection specialists
- All OPI programming staff
- All OPI special education staff (SPED allowable cost rate, reversion)
- OPI Federal grants staff (Title I for At-Risk)
- All OPI staff in the school finance division
- The OPI superintendent & her leadership team

Setting the Stage:

In this section we will list, as an overview, the components of the BASE aid request in HB 2

1. **What is included in the HB 2 BASE aid requests**:

BASE aid is defined in section 20-9-306(2), MCA, and includes the following:

(a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district
(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment
(c) the total quality educator payment
(d) the total at-risk student payment
(e) the total Indian education for all payment
(f) the total American Indian achievement gap payment
(g) the total data-for-achievement payment
(h) the special education allowable cost payment

2. HB 2 includes support for BASE aid and **other components as well**. These added components are included through historic choice. Included in addition to the components of BASE aid listed above include the following:

Retirement GTB directed through 20-9-336, 20-9-337, 20-9-368, MCA
Audit required by 2-7-514, MCA

3. **Also included** in the BASE aid request and directly related to BASE Aid:

-Significant Enrollment Increases
(calculated as payment equal to 80% of the per-ANB rate, a direct BASE aid component)
-TEACH Act
(calculated as additional QEC payments, a direct BASE aid component)
-Early Literacy
(calculated as part of ANB, directly relates to the ANB driven funding components in BASE)
-Public Charter Schools & Districts
(Designed as schools within school districts (Legal Entities (LE)) & generate BASE aid components)

(NOTE!)
Keep in mind that historic items have always been blended to the calculation of BASE aid over time
for example:

a. Full Time Kindergarten
b. General fund natural resources K12 development payment
c. Inclusion of the four 100% funding components and later the addition of data for achievement payment.
d. Non-Public students enrolled in extra-curricular activities
etc.....

Gathering the Pieces Needed to Begin Budget Development:

In this section we will look at the parts needed to build the budget request.

1. Know what statute says about:
   a. requirements for component formulas.
      A quick review of the school district general fund funding components (PPT)
   b. the state requirements to increase the components.
      A quick look at section 20-9-326, MCA. (**Note: CPI & Enrollment**)

      Sidebar: What are the standard assumptions as seen in fiscal notes (FN) such as HB 15?

   c. revenues Available to Fund the Request:
      -20-9-622, MCA, Guarantee Account (GA) a SSR account (1st source).
      Common school state land graphic.

      -20-9-336, MCA, School equalization and property tax reduction account (SEPTR) a SSR account (2nd source), 95 mills

      -State General Fund

See link to BASE aid cash flow discussion (Nancy Hall)

Data Collection Requirements for BASE Budgets:

-Accurate data collection is required to assure appropriate formula calculations.
-Current statute defines many of these requirements.
-Data bases with collection interfaces are necessary.
-Validations, reasonability testing and the ability to modify data is a challenging.
-Once the collected data is finalized and formula calculations are put in place it becomes a major undertaking to adjust. Keep in mind that these collections determine, not only state aid payments, but also are used to determine budget and voting limits. Errors can, and do, interrupt the intended state processes for budget determination.
-Additionally, the OPI needs to be mindful of the effects of changing data.

-Current year ANB, late structure changes & TFS changes will impact the distribution of SPED allowable cost payments to every district.

-Title I changes will impact every district's At-Risk entitlement.

-Therefore, it is better to assure accuracy in collection going into the budget development process than to have a situation that requires readjustment later.
-Districts in synchrony with the OPI is of utmost importance to make these collection work.

The following link leads to a brief introduction to the **data collection process** for BASE aid. (Nicole Thuotte)

A two-year cycle of Budget Development:

Fiscal Year 1 (Post Session)

April - May

Session End – **With the close of the state legislative session there is an effort to determine the ensuing biennium's appropriation authority in total (see EPP worksheet) refer to blue columns.**

- Implement all legislative actions needed for release of MAEFAIRS and other programs along with training.

July

- The first day of the fiscal year
- Districts adopt final budgets
- The MAEFAIRS system is open to receive TFS and Budget data & District begin reporting

August

- DOR provides August 1 taxable values (TV). These are the TVs used to mill determination
- Counties provide year end reporting to determine ending fund balances for district related funds (FP_6b)
- Based on district reporting of retirement budget needs, county joint district agreements (FP_8 A&B) agreements, counties report
- FP_10a reports for determination of retirement GTB estimating and mills.
- Districts adopt final school district budgets.

September

- MAEFAIRS closes (officially Sept 15) once all districts finalize reporting often near the end of September.
- FTE data collection begins with TOE
- Teach Act data collection begins

October

- Fall Enrollment collection occurs over a 3-week span beginning the 1st Monday of October, data review & adjustments occur.
- The OPI finalizes county mill setting documents Oct. (FP_9)
- Once TVs and all mills are locked and final the OPI can produce the statewide budget report (OPIBUD)
- Budget overdrafts are noticed
- ANB audits
- Insufficient aggregate hours audits
- TFS amendments through to December 10th
- **With the release of OPIBUD the EPP worksheet is updated with year 1 budget data. (see EPP worksheet) orange columns.**

November

- Property Tax bills are issued

December

- Significant Enrollment Increases are calculated from the fall enrollment collection
- Special Education Allowable Cost reversions are finalized
- DOR TV supplied
- Calculations for all four GTB subsidy per mills & dollar (SMMA) calculations

January - February

- Spring enrollment collection 1st Monday in February (see **statewide student count for ANB**)
- **Preliminary Budget Data Sheets** are finalized

March - April

- Preliminary Budget Data Sheets are issued
- Districts consider over-BASE and other voted levy increases
- District notice increases to non-voted levies
- Preparation for year end and MAEFAIRS data reporting (through to July)
- Isolation applications are noticed
- Structure changes requests are considered (through to June)

Some additional items not strongly focused on:

Tuition

Elections

Payment

As year one nears completion a review is completed to determine if funding and appropriation is appropriate for the end of fiscal year 1.
(see **EPP worksheet**) refer to green columns. This is done to determine if the agency will need to borrow against year two of the biennium to support year 1 requirements or if there is carryforward.

Fiscal Year 2 (Post Session) (BASE aid preparation)
All the same actions are taken that are listed in year 1. These items are not reprinted below, rather the next section focuses on the added tasks needed for BASE budget development.

January
- Load taxable values from the DOR to the Model

March

- The following data is loaded or set, in "the Model":
    a. PAR - set all variables and annual values, check for statutory changes
    b. SPED - Set the rates for IBG and RSBG, load disproportionate cost reimbursement
    c. SPED - prepare and verify the % SPED in Max
    d. SPED - Non-Distributed Travel Ent, Admin Entitlements (for testing purposes)
    e. ANB - Now Load current year ANB
    f. ANB 3YR & ANB budget limit – (for testing purposes)
    g. Per Educator – Load FTE counts
    h. At Risk – Load Final Entitlements

i. Indian Ed Ongoing - (for testing purposes)

j. Achieve Gap – Load final self-identified Indian student counts

k. Data Achieve - (for testing purposes)

l. Bonus Units – Verify and confirm bonus units and percents

m. ISO Status – Confirm non-isolated school districts, assure all completed applications

n. 5Yr Lookback – Load final values

o. Rate setting and PAR review and verification are performed

<u>April</u>

- Initial request for EPP start. PL and NP proposals are considered, narratives are generated, early estimates of cost are determined and placed in the IBARS system.

<u>July</u>

- Update the Model with district structure changes and remove attach/abandons

<u>August</u>

- **<u>Enrollment Projections</u>** are reviewed with OBPP and other sources are considered
- The **<u>CPI is generated</u>** and “fed” to “the Model”
- Retesting performed to verify EPP requests and make changes working with OBPP to make sure the estimates are reasonable.
- EPP adjustments submitted to OBPP for consideration in Executive Budget. This tightens up the requirements with knowing the estimated CPI increase.

October

- Enrollment Projections are updated with known fall enrollment (creating a fresh base point) to be “fed” into “the Model”
- With the close of the annual MAEFAIRS collection and FP_9 mills are finalized GTB is calculated and verified in “the Model”

  a. Load Non-Levy Revenue final data to the model for BASE and over-BASE
  b. Load adopted budgets
  c. Load August Taxable Values for mill determination
  d. Load excess reserves
  e. Load unreserved fund balance re-appropriated
  f. Load coal block grants
  g. finalize and test final non-levy revenues to the BASE
  h. finalize and test final non-levy revenues to the over-BASE
- Model updates
- Cross verification with the MAEFAIRS data base and statewide testing spreadsheet
- Consideration for growth in charter schools is made by communicating with the BPE and reflecting on past school starts as well as gathering information from school districts.
- With the close of fall enrollment collection, the SEI is calculated and considered along with enrollment projections
- Early literacy for both Jumpstart and Classroom based are considered in the enrollment projections review.

- Consideration for the TEACH act by historic review and estimated projected need.
- Starting points are confirmed with OBPP
- “the Model” is final reviewed for use in final budget preparation and session use (generally by Oct 31)
- Increases over state BASE levels for components are determined (see EPP worksheet) refer to green columns

November – December

As year two nears completion a review is completed to determine if funding and appropriation is appropriate for the end of fiscal year 2.
(see EPP worksheet) refer to green columns. This is done to determine if the agency will need to consider a supplemental appropriation request

- OPI to Consult with OBPP to confirm appropriation requests are as accurate as possible for the information available for budget requests.
- Final EPP updates are made and included in the Governor’s budget request
- Governor’s budget is prepared and released and includes the PL adjustments for BASE aid
- HJ2 Revenue estimates are prepared and adopted and budget adjustments are made for school funding.
- LFD analysis is prepared

Additions Calendar Items Needed

- During the legislative session there is the setting of a new start point for “the Model” once ANB is known for the first year of the biennium (Before March 1): The model is redeveloped to redetermine a “truer” cost. This modifies both year 1 and year 2 of the biennium. Often this results in an adjustment request made in Senate Finance and Claims. This assures HB 2 appropriation changes are requested to be as accurate as possible before HB 2 is finalized during the session.

- Stitching it all together: Frequently during session there are many bills that have compounding affects. FN development is made based on one bill at a time. Often it is required that we find a way to determine the cumulative impact of many passing bills and make a final adjustment based on this need, typically near the end of a legislative session.

- What if we were wrong in our estimates: HB 3 supplemental

Model Tours

- Tour of "the Model"

  Focus areas:

  PAR tab

  Summary tab

  Overviews:

  SPED

  Basic & Per

  5 funding components

  GTB

  Unique needs

  Non-Levy Revenue & Fund Balance Reappropriated

Tour of the "Retirement Model"

- Link to the Retirement Model
- Retirement GTB calculation (instructions)

Conclusion(s)