



## School Finance Division

### 2017 **Special** Session Summary

November 2017

This document is intended to provide a snap shot of changes to date of state funding for Montana public schools since the end of the 2017 Regular Legislative Session, which ended in May of 2017. This includes a recap of changes that already occurred such as SB 261, Governor’s budget reductions included in MCA 17-7-140, as well as changes from the Special Session in November 2017. **Additional financial guidance to schools will soon follow.**

#### **I. Total General Fund Reductions to Schools Since May 2017 (End of the regular session)**

Listed below are the changes to school funding since the end of the 2017 Regular Legislative Session in May 2017. This includes Governor’s Reductions implemented with 17-7-140, reductions triggered from SB 261, and additional legislative action of the Special Session.

Here is a total recap of the general fund reductions since the **end** of the 2017 Regular Session in May 2017:

<b>Appropriation Reduction</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total Biennium</b>
<a href="#">SB 261</a> – Reductions – For detail see HB 2 <a href="#">Table III.a.i</a>	(\$6,675,740)	(\$12,546,932)	(\$19,222,672)
<a href="#">SB 2</a> SS - Transportation Appropriation – For detail see SB 2 <a href="#">Table III.c</a>	(\$1,693,274)	(\$1,693,274)	(\$3,386,548)
<a href="#">SB 2</a> SS - Block Grants – Elimination – For detail see SB 2 <a href="#">Table III.c</a>		(\$11,656,539)	(\$11,656,539)
<a href="#">17-7-140</a> Reduction - State Tuition – For detail see <a href="#">Table III.a.ii</a>	(\$25,000)	(\$25,000)	(\$50,000)
<a href="#">HB 6</a> SS - Remove facilities debt service assistance funding to support BASE Aid expenditures. – For detail see <a href="#">Table III.b</a>	(\$3,400,000)	(\$4,800,000)	(\$8,200,000)
<b>Totals</b>	<b>(\$11,794,014)</b>	<b>(\$30,721,745)</b>	<b>(\$42,515,759)</b>

#### **II. Summary of Changes to Schools in Special Session Only (All Funds)**

This table shows the changes that resulted from the November Special Session. These are new changes to school funding appropriations.

**Please note:** The bills are **not official** until signed by the Governor and as of November 20<sup>th</sup>, 2017, the Governor has not signed these bills. In addition, detailed guidance to schools to help manage the budget changes, especially in FY 2019, will soon follow.

<b>Appropriation Reduction</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total Biennium</b>
Transportation Appropriation is reduced by \$1.7 million each year.	(\$1,693,274)	(\$1,693,274)	(\$3,386,548)
FY 2019 and beyond the school combined block grant is eliminated.		(\$3,072,890)	(\$3,072,890)
FY 2019 and beyond the school transportation block grant is eliminated.		(\$3,471,025)	(\$3,471,025)
FY 2019 the school trust land block grant appropriation is eliminated (funding set to expire 6/30/2019).		(\$100,000)	(\$100,000)
FY 2019 and beyond the county retirement block grant is eliminated.		(\$2,764,448)	(\$2,764,448)
FY 2019 and beyond the county transportation block grant is eliminated.		(\$2,248,176)	(\$2,248,176)
Remove facilities debt service assistance funding to support BASE Aid expenditures.	(\$3,400,000)	(\$4,800,000)	(\$8,200,000)
State Major Maintenance Aid Funding (Coal Trust SSR from SB 307)	(\$ 500,000)	(\$1,200,000)	(\$1,700,000)
<b>Totals</b>	<b>(\$5,593,274)</b>	<b>(\$19,349,813)</b>	<b>(\$24,943,087)</b>

**Other Important Highlights:**

**Transportation Transfer Provision** - There is a provision that requires schools to transfer budgeted and non-budget funds to the transportation fund to cover shortages associated with the transportation block grant reduction and state transportation appropriation reduction. (Schools cannot transfer from the debt service or retirement to cover this shortage.)

**Retirement GTB Payment FY 2019 Provision** – The OPI is instructed to reimburse GTB retirement payments to counties as if the counties received the county retirement block grant amounts. The county will submit the budget amounts needed on the FP 10a, then OPI will calculate the county retirement block grant mill amounts and decrease the value of the county retirement block grant mills from the GTB retirement calculation. This applies to FY 2019 **only**.

**III. Special Session Bill Details**

This next section will list the statutory changes in detail from the 2017 Special Session, including changes to the state’s appropriation bill that included previously reduced budget line items included in SB 261 from the Regular Session.

a. [HB 2 - Incorporate HB 2 revisions from regular session and revise appropriations within call](#)

HB 2 is the state’s appropriation bill. This bill was revised to incorporate reductions already implemented in SB 261 from the 2017 Regular Session and additional bills passed in the Special Session.

This includes:

**i. Reduction Items Previously Implemented**

*SB 261 (Level 2 and Level 4 Reductions Review – Program 9 Only):*

<b>Line Item Reduction</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total Biennium</b>
0.50 % Reduction – At Risk	(\$26,953)	(\$27,457)	(\$54,410)
0.50 % Reduction – Special Education	(\$217,547)	(\$217,547)	(\$435,094)
0.50 % Reduction – In State Treatment	(\$ 3,939)	(\$ 3,939)	(\$ 7,878)
0.50 % Reduction – Career and Technical Ed	(\$ 10,000)	(\$10,000)	(\$20,000)
0.50 % Reduction – Adult Basic Education	(\$2,625)	(\$2,625)	(\$5,250)
0.50 % Reduction – Gifted and Talented	(\$1,250)	(\$1,250)	(\$2,500)
0.50 % Reduction – School Food	(\$3,319)	(\$3,319)	(\$6,638)
0.50 % Reduction – Advancing Agricultural Ed	(\$760)	(\$757)	(\$1,517)
Suspension of the Data for Achievement Payment	(\$3,109,347)	(\$3,180,038)	(\$6,289,385)
Combined Block Grant Reduction	(\$2,800,000)	(\$2,800,000)	(\$5,600,000)
Career and Technical Education Reduction	(\$500,000)	(\$500,000)	(\$1,000,000)
Suspension of the Natural Resources K-12 Facilities General Fund Appropriation		(\$5,800,000)	(\$5,800,000)
<b>Total from SB 261</b>	<b>(\$6,675,740)</b>	<b>(\$12,546,932)</b>	<b>(\$19,222,672)</b>

In addition, HB 2 was modified to include the reductions from the Governor’s Office 17-7-140 enacted reductions, the changes in HB 6 for the estimated increased revenue from the school facility and technology account, and the reductions included in SB 2 (please see SB 2 below).

HB 6 of the special session transfers school facility and technology account provided for in 20-9-516 to the guarantee account provided for in 20-9-622 in an amount of \$3.4 million in FY 2018 and \$4.8 million in FY 2019. This transfer reduces the state general fund burden for BASE aid as the guarantee account is the first source of funding for district BASE aid. This transfer does not constitute a reduction to district BASE aid funding to schools, but does reduce the funding available to schools for the debt service assistance.

The actual change in general fund appropriations (from the 2017 Special Session) for schools was a reduction of \$5.1 million in FY 2018 and \$18.2 in FY 2019 for a biennial reduction of \$23.3 million.

**ii. Reduction Items from the Governor’s Office (Newly Implemented):**

<b>Bill</b>	<b>Line Item Reduction</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total Biennium</b>
17-7-140	State Tuition	(\$25,000)	(\$25,000)	(\$50,000)

**iii. Reduction Items from the Special Session Bills (Newly Implemented):**

Please see HB 6 below [b](#) for details

Please see SB 2 below [c](#) for details.

Total changes to HB 2 is a general fund reduction of \$11,794,014 in FY 2018 and \$30,721,745 in FY 2019 for a biennial reduction of \$42,515,759 (in program 9).

The block grants directed through 20-9-630 and 20-9-632 are permanently eliminated with the language changes in SB 2. FY 2018 will be the last payment year for all county and district block grants.

**Impact to schools.**

- The SB 261 reductions were previously implemented. This change officially reduces the OPI budget.
- The State Tuition reduction should have no effect on schools as the budget sufficiently covers projected expenditures for the biennium.
- The state transportation appropriation approved through HB 2 of the regular session will likely not be sufficient to cover the estimates of claims for state transportation reimbursements. An additional reduction of the state transportation appropriation of approximately 14% was implemented during the special session through SB 2. Both years of the biennium, the June payment will be reduced proportionally to schools. (See SB 2)
- School and county block grants will be eliminated beginning in FY 2019 and beyond. FY 2019 budgets will be calculated without the estimated block grant revenues. (See SB 2)

**b. [HB 6 - Provide for fund transfers and other measures](#)**

HB 6 transfers funding to offset projected general fund shortfalls and moves projected revenues from the school facility and technology (state special revenue) to the guarantee account to fund BASE Aid. The school facility and technology account funds the technology payment (already suspended to schools this biennium) and the facilities debt service payment (which was projected to be \$0 due to litigation for river bed rents). The state general fund appropriation was reduced to match the amount anticipated in the guarantee account (\$3,400,000 in FY 2018 and \$4,800,000 in FY 2019).

This bill also removes the state special funding associated with SB 307 (state major maintenance aid) to the general fund. A total of \$500,000 in FY 2018 and \$1,200,000 in FY 2019 for a biennial transfer of \$1,700,000. No state major maintenance aid payment will be issued in FY 2019.

Bill	Line Item <u>Reduction</u>	FY 2018	FY 2019	Total Biennium
HB 6	Remove facilities debt service assistance funding to support BASE Aid expenditures.	(\$3,400,000)	(\$4,800,000)	(\$8,200,000)
HB 6	State Major Maintenance Aid Funding (Coal trust funding to state from SB 307)	(\$ 500,000)	(\$1,200,000)	(\$1,700,000)
	<b>Totals</b>	<b>(\$3,900,000)</b>	<b>(\$6,000,000)</b>	<b>(\$9,900,000)</b>

**Impact to schools.**

- Section 10 of HB 6 of the special session states: For the biennium beginning July 1, 2017, no payments may be distributed as authorized under subsection (1)(b), where subsection (1)(b) is indicated as state debt service assistance as provided in 20-9-371.

- The \$1 million technology payment was already redirected to the Department of Commerce for the E-rate matching fund program through the action of HB 390 for FY 2018 and FY 2019. *Note: this funding remains available to schools through a grant application process with the Department of Commerce.*
- SB 260 of the regular session created a coal sub-trust for the purpose of funding state major maintenance aid to the district building reserve fund. HB 390 of the regular session appropriated up to \$2 million in the state major maintenance special revenue fund in support of this program beginning in FY 2019. HB 6 of the special session redirects these funds to the state general fund and eliminates the state distribution of district major maintenance aid in FY 2019.

c. [SB 2 – Revise laws related to school funding block grants and reimbursements](#)

SB 2 removes the requirement in 20-9-630 and 20-9-632 for OPI to pay schools for the school combined block grant, school transportation block grant, the county retirement block grant, and the county transportation block grant. In addition the transportation appropriation for OPI is reduced by \$1.7 million each fiscal year of the current biennium and restricts payments to schools to the appropriation level. It is highly likely OPI will be required to reduce transportation payments to school in June when second semester payments are issued.

<b>Appropriation Item <u>Reduction</u></b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Total Biennium</b>
Transportation Appropriation	(\$1,693,274)	(\$1,693,274)	(\$3,386,548)
Block Grants – School Combined		(\$3,072,890)	(\$3,072,890)
Block Grants – School Transportation		(\$3,471,025)	(\$3,471,025)
Block Grants – School Trust Land		(\$100,000)	(\$100,000)
Block Grants – County Retirement		(\$2,764,448)	(\$2,764,448)
Block Grants – County Transportation		(\$2,248,176)	(\$2,248,176)
<b>Totals</b>	<b>(\$1,693,274)</b>	<b>(\$13,349,813)</b>	<b>(\$15,043,087)</b>

**Impact to schools.**

- The state transportation appropriation was reduced by 14%. It is highly likely the appropriation will not be sufficient to cover the estimates of claims for state transportation reimbursements. If the appropriation is not sufficient, the June payment will be reduced proportionally for FY 2018 and for FY 2019.
- School and county block grants will be eliminated beginning in FY 2019 and beyond. FY 2019 budgets will be calculated without the estimated revenues.
- In addition, SB 2 directs schools to transfer funding from any budgeted or non-budgeted fund (with the exception of the debt service and retirement) to cover the loss of revenue from the school transportation block grant and reductions and state payments due to the reduction of the state transportation appropriation.
- SB 2 of the special session directs OPI to reimburse for GTB retirement payments to counties as if the counties received the county retirement block grant amounts. The county will submit

the budget amounts needed on the FP 10a, then OPI will calculate the county retirement block grant mill amount in an amount equal to the county retirement block grant and decrease those mills from the GTB retirement calculation. This applies to FY 2019 **only**.

d. [SB 9 – Generally revise laws to provide for budget stabilization](#)

This bill allows for additional appropriations to the OPI if the general fund revenues hit trigger amounts. The OPI could receive up to \$1,141,361 if revenues improve. This act terminates 6/30/2019.

***Impact to schools.***

None at this time.

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