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Linda McCulloch
Superintendent

April 15, 2005

To: District Superintendents and Clerk/Business Managers
County Superintendents

From: Denise Ulberg, Administrator
School Finance Division

Subject: House Bill 624 and House Bill 63

This memo contains a brief summary of House Bill 624 (signed by the Governor on April 8) and House Bill 63 (passed by 2005 Legislature on April 14). This memo also includes information on OPI's timelines for providing schools with revised Budget Data Sheets and other budgeting tools.

Disequalized Districts:

A school district that is disequalized in FY2006 may adopt the greater of its prior year adopted general fund budget or up to the highest actual budget adopted from fiscal year 2001 through fiscal year 2005. Note that three criteria must be met in order to adopt the highest budget from 2001-2005:

- 1) the district must be disequalized in FY2006 (HB624), **and**
- 2) the district must have adopted a disequalized budget in at least one of the fiscal years from FY2001 through FY2005 (HB624), **and**
- 3) the increase in Over-BASE tax dollars is subject to voter approval (HB63).

A district that is disequalized in FY2006 and does not meet the second criteria above may adopt the prior year budget as its highest budget, subject to voter approval of the increase in Over-BASE tax dollars (HB63).

Beginning in FY2006, a disequalized school district may permissively include up to the same amount of over-BASE revenue levied from the prior fiscal year adopted budget. The provision does not increase a district's budget limit, but it does allow a district to levy (without a vote) the same over-BASE amount as in the prior school year budget. This provision may allow a disequalized district to adopt a permissive budget or portion of a budget above Maximum (HB 63).

Equalized Districts:

Equalized districts’ FY2006 budget limitations are not affected by the provisions in HB624. Base, Maximum, highest budget with a vote, and highest budget without a vote are calculated using the same method as in FY2005, except for 3-year ANB averaging, as described below.

Other Provisions Affecting All Districts:

House Bill 63 increases the per-ANB entitlements by \$250 for elementary ANB and \$100 per high school ANB above the inflationary increases of 2.1% in FY2006 and 2.19% in FY2007. The specific entitlement amounts are:

General Fund Entitlements	FY2005	FY2006	FY2007
Basic Entitlement – Elementary	\$ 19,859	\$ 20,275	\$ 20,718
Basic Entitlement – High School	\$ 220,646	\$ 225,273	\$ 230,199
Per-ANB Entitlement – Elementary	\$ 4,031	\$ 4,366	\$ 4,456
Per-ANB Entitlement – High School	\$ 5,371	\$ 5,584	\$ 5,704
Direct State Aid Percentage	44.7%	44.7%	44.7%

Beginning in FY2006, a district’s BASE and Maximum budget are calculated using both current year ANB and a 3-year average ANB. The calculation that generates the highest Maximum general fund budget will determine a district’s budget limits. Important note: special education entitlements will be based on current year ANB only (HB63). A K-12 district’s budget limits will be the highest elementary maximum budget plus the highest high school budget determined using current year ANB or 3-year average maximum ANB for each level (HB63).

HB63 waives and/or extends this year’s school levy election deadlines. Any statutory deadlines that fell on or before April 15 are extended to April 25, 2005. The time period for posting the election notice is changed to April 25 through May 3, 2005.

OPI Staff is working to update the budgeting tools that we provide to assist districts in preparing their budget.

General Fund Spreadsheets

The School Finance Division is updating the Excel spreadsheets to include ANB 3-year averaging, new basic and per-ANB entitlements, special education block grant rates and the new calculations of highest budgets with and without a vote. The expected release date is Monday, April 18. An email will notify you of the posting.

Revised Budget Data Sheets

OPI will revise the Budget Data Sheets for FY2006. We expect to post them on the OPI web site by Monday, April 25. An email will notify you of the posting.

FY2005-06 General Fund Budget and Voting Limits

A revised version of this chart (see page 12 of FY2005-06 General Fund Budget Overview and Worksheets) is located at <http://www.opi.state.mt.us/PDF/SchoolFinance/FY06budgetlimits.pdf>. This chart reflects the general fund budget and voting limit changes made in HB624 and HB63.

I hope this information is helpful and timely. Please contact the School Finance Division staff at (406) 444-4401 if you have any questions.

Link to HB624:

[http://laws.leg.state.mt.us/pls/laws05/LAW0203W\\$BSRV.ActionQuery?P_BLTP_BILL_TYP_CD=HB&P_BILL_NO=624&P_BILL_DFT_NO=&Z_ACTION=Find&P_SBJ_DESCR=&P_SBJT_SBJ_CD=&P_LST_NM1=&P_ENTY_ID_SEQ=](http://laws.leg.state.mt.us/pls/laws05/LAW0203W$BSRV.ActionQuery?P_BLTP_BILL_TYP_CD=HB&P_BILL_NO=624&P_BILL_DFT_NO=&Z_ACTION=Find&P_SBJ_DESCR=&P_SBJT_SBJ_CD=&P_LST_NM1=&P_ENTY_ID_SEQ=)

Link to HB63:

[http://laws.leg.state.mt.us/pls/laws05/LAW0203W\\$BSRV.ActionQuery?P_BLTP_BILL_TYP_CD=HB&P_BILL_NO=63&P_BILL_DFT_NO=&Z_ACTION=Find&P_SBJ_DESCR=&P_SBJT_SBJ_CD=&P_LST_NM1=&P_ENTY_ID_SEQ=](http://laws.leg.state.mt.us/pls/laws05/LAW0203W$BSRV.ActionQuery?P_BLTP_BILL_TYP_CD=HB&P_BILL_NO=63&P_BILL_DFT_NO=&Z_ACTION=Find&P_SBJ_DESCR=&P_SBJT_SBJ_CD=&P_LST_NM1=&P_ENTY_ID_SEQ=)