FISCAL NOTE

Bill #: HB 232

Title: Include all school personnel in compensated absence liability fund

Primary Sponsor: Bob Lawson

Status: As Introduced - Revised

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Sponsor signature Date

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Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
General Fund	$600,000	$360,000
Net Impact on General Fund Balance:	**($600,000)**	**($360,000)**

Yes	No		Yes	No	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The liability for future payment of sick and vacation leave obligations upon termination of the employee is equal to 25% of the accumulated amount due for sick leave and 100% of the accumulated amount of vacation leave. The total accumulated in the Compensated Absence Fund cannot exceed 30% of the liability.
2. Transfers from the General Fund to the Compensated Absence Liability Fund must be made within the General Fund budget.
3. Currently about 50% of the districts deposit funds in the Compensated Absence Liability Fund each year. The current compensated absences revenues and expenditures range from $1 to 1.5 million. Current fund balance is $3.7 million. This means the fund has about a 30% turnover each year.

4. About 60% of districts have fund balance reappropriated in the general fund. On average, districts reappropriate $10.4 million of fund balance in the district general fund. This money used to offset the need for state general fund and district levies in the BASE budget (on average 50% general fund and 50 % local levy).
5. Currently about 75% of districts are at or near the general fund reserve maximums. The current operating reserves of all districts is $61 million.
6. The budget caps or maximum district general fund budgets do not restrict monies spent from the Compensated Absence Fund.
7. Districts that currently utilize the Compensated Absence fund that have unspent revenue at the end of the year will utilize the increased area of the Compensated Absence fund allowed for under this bill.
8. There are 10,000 teachers in Montana who are paid $30,000 per year for a 187 day contract, or $160.43 per day. Each teacher has accumulated 20 days of sick leave. **Teachers do not accumulate vacation leave**. The amount of accumulated liability for sick leave is $8,021,500 (10,000 X $160.43 X [(20 X .25)]. The limit that can be transferred to the Compensated Absence Fund is 30% of the total liability, or $2,406,450.
9. In FY 2002, 50% of the potential increase in the Compensated Absence fund that would have been reappropriated by districts will be transferred to the Compensated Absence fund or $1,200,000 (.5 x $2.4 million). In FY2003 and beyond, 30% (the current rate from 3. above) of the potential increased Compensated Absence fund ($2.4 million times 30% = $720,000) of the fund balance that would have been reappropriated by districts will be transferred to the Compensated Absence fund. The amount transferred will not be reappropriated to fund the BASE budget, so Guaranteed Tax Base Subsidies will increase by $600,000 in FY 2002 and $360,000 in FY 2003.
10. Districts will spend an additional $720,000 per year from the Compensated Absence Fund that would have previously been spent from the district general fund.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Expenditures:		
Local Assistance	$600,000	$360,000
Funding:		
General Fund (01)	$600,000	$360,000
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	($600,000)	($360,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Taxpayer mill levies to support BASE budgets statewide will increase $600,000 in FY 2002 and $360,000 in FY 2003 and beyond.

School districts will pay a greater portion of termination payouts using the Compensated Absence Fund. General Fund costs for payouts will decrease sporadically from current General Fund costs, since retirements and other terminations that cause the payouts do not occur with regularity.