

# FISCAL NOTE

**Bill #:** SB0511

**Title:** Revise School Funding through use of State University Fund

**Primary Sponsor:** Fred Thomas

**Status:** As Amended

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2002 Difference</u></b>	<b><u>FY2003 Difference</u></b>
<b>Revenue:</b>		
State Special Revenue	\$759,000	\$759,000
Other – University Permanent Trusts	(\$759,000)	(\$759,000)
<b>Net Impact on General Fund Balance:</b>	<b>0</b>	<b>0</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	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. DNRC management of timber properties to generate revenue will be the same regardless of whether or not SB511 is adopted.
2. The state university fund referred to in SB511 is actually comprised of five separate funds: University of Montana, Montana State University – Morrill, Montana State University – Second Grant, and School of Mines (now Montana Tech of the University of Montana), and State Normal School (now Eastern and Western Montana Colleges).
3. Revenue for FY97-00 (since implementation of the sustained yield study) from timber sales for the five university trusts combined has ranged from \$672,700 to \$1,510,468 per year. The corresponding four-year average is \$1,063,500.
4. Trust land management is funded out of revenues generated. Under current law, a pro-rata share of timber sale revenue from the five university trusts is deducted and allocated to the trust administration account pursuant to 77-1-108 and –109 MCA. If SB511 is enacted, the pro-rata share would instead be deducted

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and allocated through the timber sale account pursuant to 77-1-613 MCA (as is currently done for common school timber sale revenue). The average pro-rata share applicable to the timber sale revenues from the five university trusts is estimated to be \$304,500 per year. (Average 14.9% share of total timber sale account authorization of \$2,041,170) The resulting amount of distributable timber sale proceeds available to the five university beneficiaries from enactment of SB511 would therefore be estimated to average \$759,000 per year.

5. SB511 will not change the authorization or spending levels from the trust administration account or the timber sale account.
6. Actual timber sale activity on each individual grant's land base will vary significantly from year to year. Therefore, the amount of timber sale revenue available in any given year for any specific trust will also vary significantly.

FISCAL IMPACT:

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Revenues:</u>		
State Special Revenue (02)	\$759,000	\$759,000
Other – University Permanent Trusts	(\$759,000)	(\$759,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
State Special Revenue (02)	\$759,000	\$759,000
Other – University Permanent Trusts	(\$759,000)	(\$759,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None

LONG-RANGE IMPACTS:

1. The five university trust funds would not grow as fast as they would if timber sale proceeds were deposited in the permanent funds. Interest income generated from the trust funds would therefore, be proportionately reduced over time.
2. The direct allocation to the University system instead of investment in the permanent trust, depending on interest rates, would result in a loss of revenue for the system in the long term.
3. At the current interest rate of 7.1%, the income from the direct allocation would be greater than the interest income earned under current law until year 15, at which point the interest income would be greater. And, at 7%, it would take another 14 years until the cumulative revenue under this legislation would be less than if the timber income had been invested into the permanent fund.

TECHNICAL NOTES:

1. SB511 does not provide for appropriation of the funds made available for the university system