



**Fiscal Note Request HB0345, As Introduced**

(continued)

4. This bill would increase the average balance in the Treasure State Endowment Fund by \$1,195,234 in fiscal 2004 ( $5/16 \times \$3,824,750$ ) and by \$4,944,945 in fiscal 2005 ( $\$3,824,750 + 5/16 \times \$3,584,625$ ). It would reduce the average balance in the Permanent Fund by \$1,195,234 in fiscal 2004 and by \$4,944,945 in fiscal 2005.
5. Interest earnings on the Permanent Fund go to the general fund. The interest rate earned by the trust fund is projected to be 6.71% in fiscal 2004 and 6.79% in fiscal 2005. This bill would reduce interest payments to the general fund by \$80,200 in fiscal 2004 ( $6.71\% \times \$1,195,234$ ) and by \$335,762 in fiscal 2005 ( $6.79\% \times \$4,944,945$ ).
6. The interest rate earned by the Treasure State Endowment Fund is projected to be 6.84% in fiscal 2004 and 6.90% in fiscal 2005. This bill would increase interest earnings on the Treasure State Endowment Fund by \$81,754 in fiscal 2004 ( $6.84\% \times \$1,195,234$ ) and by \$341,201 in fiscal 2005 ( $6.90\% \times \$4,944,945$ ).
7. Under current law, all interest earnings on the Treasure State Endowment Fund go to the Treasure State Endowment Program for local infrastructure investments. This bill would create a new school facility special revenue account for the school facility entitlement program. In fiscal 2004, this bill would allocate the first \$4,098,000 of Treasure State Endowment Fund interest to the school facility account. Beginning in fiscal 2004, it would allocate the first \$4,360,000 to the school facility account. All remaining interest would go to the Treasure State Endowment Program.
8. Revenue available for the Treasure State Endowment Program would be reduced by \$4,016,246 ( $\$4,098,000 - \$81,754$ ) in fiscal 2004 and by \$4,018,799 ( $\$4,360,000 - \$341,201$ ) in fiscal 2005.
9. This bill would not have significant administrative impacts on the Department of Revenue.

**Office of Public Instruction**

10. Under current law the state payment to schools for facilities is funded from the general fund. In fiscal year 2004, school district entitlements for school facility advances and reimbursements will be \$4,250,000. Entitlements for fiscal year 2005 will be \$4,360,000.
11. The school facility special revenue account created by HB345 is the first source of financing for school facility entitlements and reimbursements. A HB 2 general fund appropriation for school facilities is the second source of financing.
12. The state's payment to schools for facilities is made in May of each year. The amount transferred to the school facility special revenue fund each month will be invested until the May distribution to schools. Interest and investment earnings in the account will be \$40,000 in fiscal year 2004 and \$43,600 in fiscal year 2005.
13. In fiscal year 2004, \$4,136,000 will be distributed to schools from the special revenue account ( $\$4,098,000$  transfer from the treasure state endowment fund plus \$40,000 investment earnings) and \$112,000 will be distributed from the general fund for school facility entitlements. In fiscal year 2005, 100% of entitlements, or \$4,360,000, will be distributed to schools from the special revenue account.

**FISCAL IMPACT:**

	FY 2004	FY 2005
	<u>Difference</u>	<u>Difference</u>
Revenues:		
General Fund (01)	(\$80,200)	(\$335,762)
State Special Revenue (02)		
Treasure State Endowment Program	(\$4,016,246)	(\$4,018,799)
School facility account	\$4,138,000	\$4,403,600
Trust Funds (09)		
Treasure State Endowment Fund	\$3,824,750	\$3,584,625
Permanent Fund	(\$3,824,750)	(\$3,584,625)

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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$80,200)	(\$335,762)
State Special Revenue (02)		
Treasure State Endowment Program	\$0	\$0
School facility account	\$0	\$0
Trust Funds (09)		
Treasure State Endowment Fund	\$3,824,750	\$3,584,625
Permanent Fund	(\$3,824,750)	(\$3,584,625)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill would reduce funds available for local infrastructure investments by \$4,016,246 in fiscal 2004 and by \$4,018,799 in fiscal 2005. It would increase funds for the school facility entitlement program by \$4,138,000 in fiscal 2004 and by \$4,403,600 in fiscal 2005.

LONG-RANGE IMPACTS:

Under current law, interest earnings to the general fund would grow over time as the balance in the Permanent Fund grows. This bill would hold interest earnings to the general fund approximately constant because there would be no deposits to the Permanent Fund.

Under this bill, the balance of the Treasure State Endowment Fund and interest earnings on the Treasure State Endowment Fund would grow faster than under current law. Funding for the Treasure State Endowment Program would be lower than under current law for approximately 15 years and then would be higher