Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	HB0182	**Title:**	Fund school technology, at-risk, and gifted and talented
Primary Sponsor:	Jopek, Mike	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund (01) - Distribution to Scho	$24,766,243	$22,677,735	$22,796,383	$22,629,363
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	($24,766,243)	($22,677,735)	($22,796,383)	($22,629,363)

Description of Fiscal Impact: HB 182 provides $250 per ANB for technology acquisition, at-risk students, and gifted and talented students at a cost of approximately $36 million annually. The amount of funding is determined by the amount of oil and gas royalties generated from school trust lands. If the revenue generated from oil and gas royalties is less than the cost of the per ANB payments shown above, the allocations to schools will be pro-rated. The anticipated receipts are projected to be $24.8 million in FY 2008 and $22.1 million in FY 2009.

FISCAL ANALYSIS

Assumptions:

1. Under current law, the average number belonging in K-12 public schools will be as follows:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
K-6 ANB	73,776	71,998	71,952	72,368	73,136
7-8 ANB	25,368	23,641	22,758	22,273	21,941
9-12 ANB	50,048	49,130	48,465	47,584	46,454
Total ANB	149,192	144,769	143,175	142,225	141,531

2. HB 182 adds 20-9-343(4), MCA, which allocates an amount of money equal to the oil and gas royalties from the common school trust to technology acquisition, at-risk, and gifted and talented. The allocation has a maximum funding amount to school districts which is shown in the following table:

	Per ANB	FY 2008	FY 2009	FY 2010	FY 2011
Technology Acquisition	$50	$7,238,450	$7,158,750	$7,111,250	$7,076,550
At-Risk	$100	$14,476,900	$14,317,500	$14,222,500	$14,153,100
Gifted and Talented	$100	$14,476,900	$14,317,500	$14,222,500	$14,153,100
Total		$36,192,250	$35,793,750	$35,556,250	$35,382,750

3. The projected oil and gas royalties are currently less than the maximum amount outlined above. When this occurs, the funding scheme shown in the following table is used. The table also shows the projected royalty revenue and the allocation of that amount.

	Percent	Per ANB	FY 2008	Per ANB	FY 2009	Per ANB	FY 2010	Per ANB	FY 2011
Technology Acquisition	20%	$33.37	$4,831,495	$30.90	$4,424,061	$31.27	$4,447,207	$31.19	$4,414,624
At-Risk	40%	$66.75	$9,662,990	$61.80	$8,848,121	$62.54	$8,894,414	$62.38	$8,829,248
Gifted and Talented	40%	$66.75	$9,662,990	$61.80	$8,848,121	$62.54	$8,894,414	$62.38	$8,829,248
Total			$24,157,485		$22,120,303		$22,236,036		$22,073,119

4. The monies received by a school district for technology acquisition must be deposited in the technology acquisition and depreciation fund established in 20-9-533. These monies must be spent on technological equipment or technical training for school district personnel and may not be spent on salaries and benefits. Therefore, this funding will not increase the state cost of retirement GTB.
5. The monies received by a school district for at-risk students and gifted and talented students must be deposited in the district general fund. It is anticipated that a portion of these payments will be spent on salaries and benefits. The state cost for county retirement GTB is expected to increase by $608,768 in FY 2008 and $557,432 in FY 2009.
6. The increased retirement expense is estimated by determining the amount of increase in the BASE budget, multiplying times the percentage of the general fund budget that is typically salaries (75%) to get the increased salaries associated with HB 182.
7. Estimated benefit rate is 15% based upon FY 2006 employer contribution rates:

	Certified Staff	Classified Staff
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	0.02%	0.02%
Totals	**15.14%**	**14.57%**

8. Based on budget data from FY 2006, on the marginal, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of countywide retirement tax levy.

9. Estimated cost to the state and county:

Fiscal Year	Estimated Additional Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2008	$14,494,485	15%	$2,174,173	$608,768	$1,565,404
2009	$13,272,182	15%	$1,990,827	$557,432	$1,433,396
2010	$13,341,621	15%	$2,001,243	$560,348	$1,440,895
2011	$13,243,872	15%	$1,986,581	$556,243	$1,430,338

10. Consistent with HJR2 revenue estimates, the statewide taxable valuations will increase by 3.18 percent in FY 2008 and 3.22 percent in FY 2009 and beyond.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
Expenditures:				
Local Assistance (Technology Acquisition	$4,831,495	$4,424,061	$4,447,207	$4,414,624
Local Assistance (At-Risk)	$9,662,990	$8,848,121	$8,894,414	$8,829,248
Local Assistance (Gifted & Talented)	$9,662,990	$8,848,121	$8,894,414	$8,829,248
Local Assistance (County Retirement GTE	$608,768	$557,432	$560,348	$556,243
TOTAL Expenditures	$24,766,243	$22,677,735	$22,796,383	$22,629,363
Funding of Expenditures:				
General Fund (01)	$24,766,243	$22,677,735	$22,796,383	$22,629,363
Revenues:				
General Fund (01)	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($24,766,243)	($22,677,735)	($22,796,383)	($22,629,363)

Effect on County or Other Local Revenues or Expenditures:

1. HB 182 has no impact on school district levies. County retirement levies are projected to increase by $3.1 million in each year of the biennium.

Technical Notes:

1. The additional funding provided by the state as a result of HB 182 is included in the definition of the maximum general fund budget, but not the BASE budget. Under the current structure, the over-BASE area of the budget is only funded with local revenue. All state funding is included in the BASE budget area. It would be more logical for the funding provided through HB 182 to be included in the BASE budget.
2. The proposed definition of the maximum general fund budget should be amended to include only the payments received by the district under 20-9-343(4)(b) and (c). The monies received by the district under 20-9-343(4)(a) are deposited in the technology acquisition and depreciation fund.
3. Amendments to section 20-9-141, MCA, are needed to recognize the revenue that the school general fund will receive under HB 182.
4. For the purposes of this fiscal note, it is assumed that the sponsor intends for a general fund appropriation to be provided to schools in "an amount equal to" the revenue from royalty payments from oil and gas leases on school trust lands.

5. It is unclear how the amount of money equal to the royalty payments will be determined. Total royalty revenue is not fully collected until after the end of the fiscal year. For school district planning purposes it would make most sense for oil and gas production in one fiscal year to drive the payment to schools in the following fiscal year.
6. If the intention is for the royalty payments to fund the expenditures in HB 182, there are two problems:
   a) The mineral royalties from school trust lands have been purchased to fund SB 495 (L.2001) and are committed to repayment of a coal trust fund loan.
   b) Mineral royalties are non-distributable revenues and as such must go into the public school fund established in Article X, Section 5 of the Montana Constitution.
7. HB 182 requires a general fund appropriation either in HB 182 or in HB 2.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*