



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # HB0176

Title: Increase amount of oil and nat. gas prod. taxes retained by school district

Primary Sponsor: Halvorson, David

Status: As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$1,457,518	\$1,412,044	\$1,407,243	\$0
State Special Revenue (Guarantee Acct-SA)	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
State Special Revenue (State Schl O&G Impact)	\$0	\$0	\$0	\$0
State Special Revenue (County schl O&G fund)	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (Guarantee Acct-SA)	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
State Special Revenue (State Schl O&G Impact)	(\$104,108)	(\$100,860)	(\$100,517)	\$0
State Special Revenue (County schl O&G fund)	(\$520,542)	(\$504,301)	(\$502,587)	\$0
Net Impact-General Fund Balance:	<u>(\$1,457,518)</u>	<u>(\$1,412,044)</u>	<u>(\$1,407,243)</u>	<u>\$0</u>

Description of fiscal impact: HB 176 increases the maximum amount of oil and natural gas production tax revenue that a school district may receive. The fiscal impact of this bill is \$1.3 million per year for FY 2014, FY 2015, and FY 2016.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under present law, school districts are allowed to receive oil and natural gas production taxes revenue under the provisions of 15-36-331 and 332, MCA, up to 130% of the district maximum general fund budget as defined in 20-9-308, MCA.

2. Present law, 20-9-310, MCA, states that the department will distribute any excess revenue not distributable to a school district in assumption #1 as follows: 70% to the state special revenue guarantee account, 5% to the state school oil and natural gas impact account, and 25% to the counties for deposit in the county school oil and natural gas impact fund.
3. HB 176 changes the threshold of oil and natural gas production taxes distributable to school districts from 130% to 150% of the school district maximum general fund budget.
4. In FY 2012, the most recent actual data available, nine school districts met the criteria in assumption #1 with a total of \$13.1 million retained by the department.
5. Oil and natural gas production taxes are projected to fluctuate over the next two biennia. The chart below shows the growth factors for oil and natural gas:

Anticipated Oil & Natural Gas Growth	
FY 2014	101.21%
FY 2015	96.88%
FY 2016	99.66%

6. If the 150% threshold per HB 177 had been in place in FY 2012, school districts would have received an additional \$2.0 million.
7. The provisions of 20-9-310, MCA, are set to terminate June 30, 2016, so there is no fiscal impact of HB 176 beyond FY 2016.
8. The following table represents the decrease to the funds affected by HB 176:

	FY 2014	FY 2015	FY 2016
Oil & Natural Gas Growth	101.21%	96.88%	99.66%
70% - State special revenue guarantee acct	\$1,457,518	\$1,412,044	\$1,407,243
5% - State school oil & natural gas impact acct	\$104,108	\$100,860	\$100,517
25% - Co schl oil & natural gas impact fund	<u>\$520,542</u>	<u>\$504,301</u>	<u>\$502,587</u>
Total	\$2,082,169	\$2,017,205	\$2,010,347

9. The increase of allowable non levy revenue at the school district level would mean additional non levy revenue in the calculation for the school district general fund budget. None of the school districts receiving the additional funding receive guarantee tax base aid (GTB) from the state, so there would be no additional GTB cost to the state.
10. Because the state special revenue guarantee account is the first source of funding for K-12 BASE aid, a reduction in the guarantee account would be offset by an increase in state general fund expenditures for K-12 BASE aid.

Secretary of State

11. This bill will have minimal cost for postage and administrative duties related to the tribal notifications required in section 4 of the bill. The Office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
K-12 BASE Aid (General Fund)	\$1,457,518	\$1,412,044	\$1,407,243	\$0
K-12 BASE Aid (Guarantee Account-SA)	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,457,518	\$1,412,044	\$1,407,243	\$0
State Special Revenue (02) Guarantee Acct-SA	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
State Special Revenue (02) State schl O&G Impact	\$0	\$0	\$0	\$0
State Special Revenue (02) County schl O&G Impact	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02) Guarantee Acct-SA	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
State Special Revenue (02) State schl O&G Impact	(\$104,108)	(\$100,860)	(\$100,517)	\$0
State Special Revenue (02) County schl O&G Impact	(\$520,542)	(\$504,301)	(\$502,587)	\$0
TOTAL Revenues	<u>(\$2,082,168)</u>	<u>(\$2,017,205)</u>	<u>(\$2,010,347)</u>	<u>\$0</u>

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

General Fund (01)	(\$1,457,518)	(\$1,412,044)	(\$1,407,243)	\$0
State Special Revenue (02) Guarantee Acct-SA	\$0	\$0	\$0	\$0
State Special Revenue (02) State schl O&G Impact	(\$104,108)	(\$100,860)	(\$100,517)	\$0
State Special Revenue (02) County schl O&G Impact	(\$520,542)	(\$504,301)	(\$502,587)	\$0

Effect on County or Other Local Revenues or Expenditures:

1. Local property taxes could decrease minimally beginning in FY 2014 through FY 2016 as a result of HB 176 and increased non levy revenue to nine school districts.
2. HB 176 would mean that counties would receive \$0.5 million less county oil and gas impact account funding.

Technical Notes:

1. Section 3, 20-9-518(3) states:
 - “(3) Within 30 days of any of the circumstances described in subsections (2)(a) through (2)(c) occurring, the governing body of the county shall allocate 80% of the money proportionally to affected high school districts and elementary school districts in the county:
 - a) The state has no authority to distribute these funds to the counties and statute provides no definition of proportional or affected.
 - b) A county governing body is not provided sufficient information to make the distribution to high school districts and elementary school districts in the county.

Sponsor’s Initials

Date

Budget Director’s Initials

Date