



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill # SB0348

Title: Providing for an act for Montana school safety

Primary Sponsor: Thomas, Fred

Status: As Amended in House Committee

- 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

FISCAL SUMMARY

	<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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (Schl Facility & Technology Acct)	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (Schl Facility & Technology Acct)	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 348 generally revises K-12 education laws and eliminates the Quality Schools Facility Grant Program in the Department of Commerce. In future biennia, the monies that would have gone to this program will go to all school districts on a per-ANB basis. There is no state fiscal impact of SB 348.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction (OPI)

- SB 348 repeals the Quality Schools Facility Grant Program provided for in 90-6-801, *et seq.* effective July 1, 2014.
- The Superintendent of Public Instruction is directed to prepare and submit, as part of the agency budget for the 2017 biennium, a projection of all funds in the School Facility and Technology Account except for funds to be distributed pursuant to 20-9-534, MCA, and any other outstanding obligation of the funds. This would mean that any grant and school facility reimbursements obligations pursuant to 20-9-371, MCA, in the 2015

biennium would be obligated from the fund. For purposes of this fiscal note, it is assumed there will be no reduction of FY 2014 or FY 2015 funding obligations.

3. The statutory obligation pursuant to 20-9-534, MCA, equals \$1 million dollars per year distributed to schools. The obligations assumed in the 2015 biennium for the Quality Schools Facility Grant Program is \$12.3 million and the school facility reimbursement program is \$17.2 million. The total 2015 biennium obligations from the School Facility and Technology Fund will be \$31.5 million.
4. The statutory obligation pursuant to 20-9-534, MCA, of \$1 million dollars per year is an ongoing obligation of the fund. The school facility reimbursements per 20-9-371, MCA, are also an ongoing obligation of the fund of \$8.6 million per year.
5. Anticipated revenues and the 2015 biennium ending fund balance to the School Facility and Technology Fund are not expected to be sufficient to meet the ongoing obligations of the fund. Therefore, this fiscal note does not expect there would be any funding available for distribution per Section 5, subsection 4, of SB 348. The Superintendent of Public Instruction would anticipate zero unobligated funds in the School Facility and Technology Account to be appropriated by the legislature to each school district on a per-ANB basis in the 2017 biennium.
6. SB 348, Section 10, as amended, allows a school district to transfer state or local revenue from any budgeted or non-budgeted fund, other than the district debt service fund or retirement fund, to its building reserve fund in an amount not to exceed the school district's estimated costs of improvements for school safety and security as prescribed in the bill. These transfers are allowed until June 30, 2015. Federal funds may not be transferred under this new section. Technical notes in this fiscal note indicate conflicts with existing law regarding fund transfers.
7. If transfers are made from any school district fund supported by a nonvoted levy, the district may not increase its nonvoted levy for the purpose of restoring the transferred funds. For the purposes of this fiscal note, it is assumed that the district would only be able to transfer monies from the district general fund if the transfer did not cause the BASE budget levy to increase.
8. SB 348, Section 10, allows schools to transfer funds from the district general fund to the building reserve fund. These transfers are likely to reduce the amount of fund balance re-appropriated by school districts and could have an impact on the state cost of guaranteed tax base aid (GTB). OPI anticipates that the impact on GTB will be minor because of the restrictions in SB 348.
9. SB 348 amends 2-6-102, MCA, to add public schools in the list of facilities for which information can be withheld related to building security features. In addition, public school students are added to the list of individuals that warrant protection by withholding public information.
10. SB 348 amends 20-1-401, MCA, to require school trustees to adopt school safety plans and to certify to the OPI that the plan has been adopted. The plan must incorporate drills that address potential local hazards.
11. Under SB 348, the trustees must annually review the district's weapons policy and update the policy as determined necessary by the trustees based on changing circumstances pertaining to school safety.

Effect on County or Other Local Revenues or Expenditures:

1. Elimination of the Quality School Facility Grant Program would mean that approximately \$12 million per biennium that has been available to school districts over the past two biennia would no longer be available to school districts.
2. The Quality Schools Facility Grant Program was created specifically to address the issues of inequitable funding of school facilities across the state. The elimination of the program may create unknown fiscal liability consequences regarding the state's constitutional responsibility to provide a "basic system of free quality public elementary and secondary schools."
3. The Quality Schools Facility Grant Program was recognized by the courts to address the facility need of school districts in a constitutional means in the *Columbia Falls v. State of Montana* lawsuit of 2008.

Technical Notes:

Office of Public Instruction (OPI)

1. SB 348 creates a new state payment to be deposited into school district’s building reserve fund. However, 20-9-502, MCA: Purpose and authorization of building reserve fund by election, was not amended. Building reserve funds are authorized by an election, therefore, not all districts have a building reserve fund.
2. SB 348, as amended, allows school districts to transfer monies from the compensated absences fund which is statutorily restricted. The compensated absence fund, 20-9-512, MCA, purposed for financing the accumulated sick leave and vacation pay that a non-teaching or administrative school district employee is entitled to upon termination of employment, is funded using budgeted general fund transfers, and funds in excess of the limits allowed must be returned to the school district general fund.
3. SB 348 directs the Superintendent of Public Instruction to distribute the remaining unobligated funds to each school district on a per-ANB basis. The monies must be deposited into the building reserve fund. The appropriation authority to distribute these funds would need to be provided to OPI in HB 2 or another appropriation bill.
4. If there was funding available for distribution per Section 5, subsection 4, school districts would not know how much to anticipate from the distribution at the time the trustees adopt the school district general fund budget for the fiscal year. Monies based on a per-ANB basis distribution per SB 348 would be distributed to school districts no later than November 1, however, the revenues would not necessarily be received by November 1 as the revenues are due to the state throughout the fiscal year.

Sponsor’s Initials

Date

Budget Director’s Initials

Date