



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0252
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<b>Title:</b>	Revise K-12 funding laws related to oil and natural gas production taxes
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<b>Primary Sponsor:</b>	Jones, Lew
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<b>Status:</b>	As Amended in Senate Committee
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|---|--|--|
| <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 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$1,430,265	\$1,493,215	\$1,544,766	\$1,627,108
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,430,265)</u>	<u>(\$1,493,215)</u>	<u>(\$1,544,766)</u>	<u>(\$1,627,108)</u>

**Description of fiscal impact:** SB 252, as amended, allows school districts receiving oil and natural gas production tax revenue to budget and allocate the revenue in any budgeted fund of the district. The bill is anticipated to increase the state general fund costs for guaranteed tax base aid by \$2.9 million in the 2017 biennium.

### FISCAL ANALYSIS

**Assumptions:**

- The oil and natural gas production tax revenues (ONGPTR) are projected to fluctuate over the next two biennia. The following table shows the growth factors in HJ 2 for FY 2016 and FY 2017, and the Office of Budget and Program Planning estimated changes in FY 2018 and FY 2019.

	FY 2016	FY 2017	FY 2018	FY 2019
<b>Anticipated Oil &amp; Natural Gas Production Tax Growth</b>	-4.84%	2.27%	-0.60%	4.50%

- Under current law, school districts are required to anticipate general fund revenue of at least 25% of the previous year's ONGPTR with exemptions for certain districts. SB 252, as amended, removes these requirements and exemptions. FY 2014 data is the most recent school year for which district revenue from

ONGPTR is available. FY 2015 budget data is the most recent budget data available. The following table shows the actual and estimated revenue and actual and estimated budget data available for ONGPTR received by school districts. Actual data is shown in bold.

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Actual-All funds	<b>\$37,438,242</b>	\$32,530,088	\$30,955,632	\$31,658,325	\$31,468,375	\$32,884,452
Budgeted Current Law	<b>\$9,662,569</b>	<b>\$10,990,582</b>	\$10,458,638	\$10,696,049	\$10,631,873	\$11,110,307
Budgeted -SB 252	<b>\$9,662,569</b>	<b>\$10,990,582</b>	\$7,913,219	\$5,697,518	\$4,102,213	\$2,953,593
Difference CL & SB 252			\$2,545,419	\$4,998,531	\$6,529,660	\$8,156,714

3. In FY 2015, 125 school districts are expected to receive ONGPTR and 95 of these school districts also receive guaranteed tax base aid (GTB).
4. The GTB calculation for school districts is determined, in part, by the amount of non-levy revenue the district anticipates it will receive in the budget year. Oil and natural gas production taxes are one source of non-levy revenue school districts receive. When a GTB-eligible district underestimates non-levy revenue, the district receives more GTB aid than if the district had accurately estimated its revenue.
5. Data related to schools and budgeting ONGPTR is shown in the following table.

	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
# of school districts that budgeted ONGPTR revenue in district general fund	120	122	71	69
# of school districts that did not budget ONGPTR in district general fund but did receive ONGPTR	3	3	54	N/A
# of schools that received ONGPTR	123	125	125	N/A
# of schools that estimated 25% or more ONGPTR	76	105	40	N/A

6. From FY 2012 to FY 2015, nine school districts made a practice of budgeting enough ONGPTR in the district general fund budget to eliminate mill levies. This fiscal note assumes that these districts would continue to keep their general fund mills at zero.
7. SB 252, as amended, exempts certain school districts from having to budget at least 25% of the prior year ONGPTR in the district general fund. Following are the allowable exemptions:
  - Maximum general fund budget less than \$1 million;
  - General fund budget plus ONGPTR is less than or equal to 105% of maximum general fund budget;
  - Maximum general fund budget is greater than or equal to \$1 million and an anticipated enrollment increase was approved in the prior year by OPI; and
  - Outstanding oil and natural gas revenue bonds (new in SB 175, 2013 Session).
8. In FY 2014, 54 districts took advantage of one or more of the exemptions and budgeted no ONGPTR to the school district general fund.
9. It is assumed that another 31 districts, that have made a practice of budgeting 25% or less of their prior year ONGPTR in the school district general fund, would estimate no ONGPTR in response to SB 252.
10. There are 407 operating school districts in Montana. Only 125 school districts receive ONGPTR, 54 of those districts do not currently estimate ONGPTR and under SB 252, as amended, it is estimated that an additional 31 districts would not estimate ONGPTR in their district general fund budget. It is projected that 40 districts may continue to estimate some amount of ONGPTR.
11. Of these 40 districts, 21 receive guaranteed tax base aid (GTB) from the state and would have the option to place the estimated ONGPTR in the over-BASE of the school district general fund which would allow for reduced over-BASE mills and more additional GTB to the BASE.
12. All but four districts have current mill levies in the over-BASE large enough to be reduced by the total amount currently being estimated in the school district general fund BASE. It is assumed that the 17

districts would place the full estimated ONGPTR in the over-BASE. The remaining four districts are able to estimate a larger portion to the over-BASE than currently estimating (surpassing the current law limit of 12.5% to the over-BASE) but still need to estimate a portion to the BASE in the school district general fund should they choose to not place this estimated revenue in a different budgeted fund.

13. All other districts that receive oil and natural gas production taxes revenue are assumed to estimate no oil and natural gas production taxes revenue in their general fund budget. The following table shows the additional GTB impact.

	FY 2016	FY 2017	FY 2018	FY 2019
<b>Guaranteed Tax Base Aid</b>	\$1,430,265	\$1,493,215	\$1,544,766	\$1,627,108

14. If all districts receiving ONGPTR where to budget no ONGPTR to the school district general fund the GTB increase would be:

	FY 2016	FY 2017	FY 2018	FY 2019
<b>Guaranteed Tax Base Aid</b>	\$1,987,195	\$2,049,542	\$2,101,179	\$2,187,291

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Local Assistance (GTB)	\$1,430,265	\$1,493,215	\$1,544,766	\$1,627,108
<b>TOTAL Expenditures</b>	<u>\$1,430,265</u>	<u>\$1,493,215</u>	<u>\$1,544,766</u>	<u>\$1,627,108</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$1,430,265	\$1,493,215	\$1,544,766	\$1,627,108
<b>TOTAL Funding of Exp.</b>	<u>\$1,430,265</u>	<u>\$1,493,215</u>	<u>\$1,544,766</u>	<u>\$1,627,108</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

General Fund (01)	(\$1,430,265)	(\$1,493,215)	(\$1,544,766)	(\$1,627,108)
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**Effect on County or Other Local Revenues or Expenditures:**

1. It is estimated that local property taxes could increase by \$5.0 million in FY 2016 and \$5.1 million in FY 2017 as result of SB 252, as amended, because school districts would have to levy to pay the difference of ONGPTR not included as non-levy revenue in the school district general fund budget.

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Sponsor's Initials

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Date

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Budget Director's Initials

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Date