



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0252
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Title:	Revise K-12 funding laws related to oil and natural gas production taxes
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Primary Sponsor:	Jones, Llew
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Status:	As Amended in House Committee
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- 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 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	(\$199,344)	(\$198,577)	(\$198,295)	(\$198,852)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	\$199,344	\$198,577	\$198,295	\$198,852

Description of fiscal impact: SB 252 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 have a state savings of \$398,000 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
Anticipated Oil & Natural Gas Production Tax Growth	-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 and requires school districts to either budget for at least 12.5% ONGPTR to

the BASE budget or levy a permissive levy to replace that revenue. 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.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Actual-All funds	\$37,438,242	\$32,530,088	\$30,955,632	\$31,658,325	\$31,468,375	\$32,884,452
Budgeted Current Law	\$9,662,569	\$10,990,582	\$10,458,638	\$10,696,049	\$10,631,873	\$11,110,307
Budgeted -SB 252	\$9,662,569	\$10,990,582	\$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. Amendments to SB 252 will determine the GTB subsidy on a calculation that uses 12.5% of ONGPTR received in the prior year and does not increase the GTB subsidy if ONGPTR is underestimated, rather local BASE property taxes would increase to make up the difference.
5. Data related to schools and budgeting ONGPTR is shown in the following table.

	FY 2012	FY 2013	FY 2014	FY 2015
# 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, removes exemptions for 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 that were removed:
 - Maximum general fund budget less than \$1.5 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. However, districts who receive ONGPTR and GTB will now estimate 12.5% of ONGPTR to the BASE budget.
9. There are 407 operating school districts in Montana. Only 125 school districts receive ONGPTR, 54 of those districts do not currently estimate ONGPTR. Under SB 252, the GTB calculation for all districts who receive ONGPTR will be determined as if every district estimates at least 12.5% ONGPTR to the BASE budget.

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (GTB)	(\$199,344)	(\$198,577)	(\$198,295)	\$198,852
TOTAL Expenditures	<u>(\$199,344)</u>	<u>(\$198,577)</u>	<u>(\$198,295)</u>	<u>\$198,852</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	(\$199,344)	(\$198,577)	(\$198,295)	(\$198,852)
TOTAL Funding of Exp.	<u>(\$199,344)</u>	<u>(\$198,577)</u>	<u>(\$198,295)</u>	<u>(\$198,852)</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$199,344	\$198,577	\$198,295	\$198,852

Effect on County or Other Local Revenues or Expenditures:

1. It is estimated that the change in local property taxes would be minimal as all GTB receiving districts would estimate ONGPTR to offset increases to the BASE budget.

Sponsor's Initials

Date

Budget Director's Initials

Date