

**Concentric Circles**

Concentric circles is part of the current method of distributing oil and natural gas production tax (ONG tax) to school districts. It essentially diverts money from school districts that have met maximum funding thresholds to nearby school districts that may be affected by oil and natural gas production. This provision sunsets after FY 2016. In FY 2017, these funds will be distributed to the guarantee account and is estimated to reduce general fund spending by \$5.2 million.

The recent history of these funds can be demonstrated as follows:

- Prior to FY 2012 school districts with oil and gas wells within their boundaries received 100% of the statutory distribution of oil and gas taxes.
- In the 2011 Session, SB 329 capped the amount of oil and gas tax revenue districts could retain to 130% of the school district's maximum budget. Revenue beyond the cap flowed as follows: (1) 5% to a state school oil and natural gas impact account; (2) 25% to a county school oil and natural gas impact fund, to provide revenue schools that were not receiving oil and gas taxes but were being affected by oil and natural gas production, and (3) 70% to the guarantee account which offsets state general fund costs.
- In the 2013 Session SB 175 temporarily changed the allocation in order to divert a greater portion of oil and gas taxes, above school district thresholds, to nearby school districts that have not yet met the thresholds. This provision sunsets after FY 2016 at which time the distribution returns to be similar to the provisions of SB 329 in FY 2013.

The chart below displays how that money is allocated on a percentage basis in order to see the effects of the distribution. It is anticipated that school districts impacted by the sunset may request a change to current law so that these funds return these districts.

