

Guarantee Account

The Guarantee Account (20-9-622, MCA) is a state special revenue account dedicated to school funding. It receives revenue generated from common school state land and the subsequent interest on the Common School trust account.

❶ Leases, Bonuses, and Timber Sales - Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

Box 1 is the distributable income. This common school land revenue includes leases, bonuses and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology account (20-9-516, MCA).

❷ Mineral Royalties and Right-of-Way – This is the other portion of the common school land income. This portion is deposited directly into the common schools permanent trust and includes sales of part of all of a piece of common schools trust land including extractable resources such as oil, natural gas, and coal.

❸ Common Schools Permanent Trust – The Enabling Act states that “proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted.” The Common Schools Permanent Trust is the permanent trust account in which school dedicated funds are held.

❹ Transfers and Costs - the amount of revenue deposited to the guarantee account and are net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology account shown in #4. The administration costs diversion funds operational costs in DNRC for common school lands. The school facility and technology account receives timber revenue in excess of 18 million board feet (77-1-218, MCA). This reduces the amount of revenue distributable to the Guarantee Account.

❺ Investment Earnings – Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), the interest is then available for distribution. The majority of the revenue, the Trust and Legacy Investment Earnings, comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

❻ Common School Trust Land Interest and Income – This is what is commonly referred to as common school interest and income, being the income from leases, bonuses, and timber (box 1) less costs and transfers (box4) as well as interest from the Common Schools Permanent Trust (box5). This money is distributed as follows:

- 95% is transferred to the state special revenue guarantee account which is statutorily appropriated for schools
- 5% is reinvested in the Common Schools Permanent Trust

❼ Additional transfers to the Guarantee Account – The legislature has in the past transferred additional money into the guarantee account. In fiscal years 2012 through 2014, navigable river revenues were redirected from the school facility and technology account to the common schools guarantee account as a result of HB 165. SB 175, from the 2013 session, transfers \$11.5 million from the state general fund to the Guarantee Account to fund the ongoing costs of restructuring the K-12 funding formula. Finally, short-term investments from the common school land bank contribute to the Guarantee Account revenues.



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③ Guarantee Account- This is the state special revenue fund (20-9-104, MCA) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding (used before general fund dollars).

FY 2014 Common School Earnings
\$ Millions

