Fiscal Note 2019 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0390		**Title:**	Generally revise school funding laws
Primary Sponsor:	Jones, Donald W		**Status:**	As Introduced

☐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

	FY 2018 Difference	FY 2019 Difference	FY 2020 Difference	FY 2021 Difference
Expenditures:				
General Fund	($55,779)	($57,858)	($59,970)	($58,447)
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$55,779	$57,858	$59,970	$58,447

Description of fiscal impact: HB 390 requires that property taxes are reduced in the following year when an anticipated enrollment increase does not materialize saving the state general fund approximately $60,000 per year. The bill also temporarily redirects $1 million technology funding to be used as e-rate matching funds.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction (OPI)

1. Section 20-9-314, MCA, currently provides procedures for determining eligibility and amount of increased average number belonging (ANB) due to an unusual enrollment increase. Prior to June 1 a district may apply for additional estimated anticipated enrollment for the ensuing year to be used to provide increased budget authority for receiving additional state funding and local property taxes. If this estimate exceeds the lesser of 4% of students or 40 students, an adjusted ANB is calculated and all district general fund per ANB entitlements are adjusted accordingly.
2. Section 1, subsection (6)(b) of HB 390 proposes that in a school district where additional anticipated ANB was approved by OPI and the district budget was recalculated allowing additional local property tax collections, but the anticipated ANB did not materialize during the school year, the local property taxes collected for the ANB that did not materialize would be returned to the local tax payers via fund balance re-appropriated for the ensuing year.

3. In FY 2016, six of ten districts with anticipated enrollment increases had some portion of that enrollment that did not materialize. Of the 548 anticipated budget limit ANB only 338 budget limit ANB were realized. In FY 2017, four of nine districts with anticipated enrollment increases had some portion of that enrollment that did not materialize. Of the 618 anticipated budget limit ANB only 510 budget limit ANB were realized.
4. The unusual enrollment increase recalculation of budget allows for increased budget limits and increases to BASE and voter approved over-BASE property tax levies. HB 390 requires that a district's general fund budget be recalculated when unusual enrollment increases do not materialize so that the over levied portion of BASE and over-BASE property taxes can be determined. It is assumed that districts would need to underspend the budget to allow for fund balance at the end of the fiscal year in the amount of the over levied amount to be used as unreserved fund balance re-appropriated in the ensuing year.
5. In FY 2016, two of the ten districts that anticipated enrollment increases also voted and approved over-BASE levies and in FY 2017, two of the nine districts that anticipated enrollment increases also voted and approved over-BASE levies. The districts that voted and approved over-BASE levies had anticipated enrollment increases that did materialize.
6. For the purposes of this fiscal note it is assumed that beginning in FY 2017, nine districts will anticipate enrollment in an amount to increase budget limit ANB by 618 and four of the nine districts will not materialize enrollment to lower budget limit ANB by 108. These four districts will then re-appropriate unreserved fund balance in the amount of BASE property tax to fund the BASE budget of the ensuing year.
7. Re-appropriating fund balance directly supports the BASE budget of a district and consequently lowers BASE mills. Since the guarantee tax base aid (GTB) calculation is determined by the number of BASE mills the effect of lowering the BASE mills will in turn lower the amount of GTB to be paid to that district. It is estimated the GTB savings due to the re-appropriation of these funds would save the state general fund $55,800.

Department of Commerce (DOC)

8. HB 390 directs $1.0 million each year of the biennium from the school facility and technology state special revenue account to the Department of Commerce for providing funds for schools to use as a match for e-rate broadband matching funds. The money currently is a statutory distribution to all school districts' technology fund each year.
9. This bill is effective July 1, 2017, and the temporary redirection of the existing statutory appropriation to the Department of Commerce terminates on June 30, 2019.

	FY 2018 Difference	FY 2019 Difference	FY 2020 Difference	FY 2021 Difference
Fiscal Impact:				
Expenditures:				
Local Assistance (GTB)	($55,779)	($57,858)	($59,970)	($58,447)
TOTAL Expenditures	($55,779)	($57,858)	($59,970)	($58,447)
Funding of Expenditures:				
General Fund (01)	($55,779)	($57,858)	($59,970)	($58,447)
TOTAL Funding of Exp.	($55,779)	($57,858)	($59,970)	($58,447)
Revenues:				
General Fund (01)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$55,779	$57,858	$59,970	$58,447

Effect on County or Other Local Revenues or Expenditures:

1. HB 390 proposes to recover local property taxes levied through the school funding formula based on average number belonging (ANB) that were not actually in attendance in the district. Districts would be required to reduce the ensuing tax year's tax levies by reducing BASE budget and over-BASE budget levies during budget preparation for the ensuing year. Based on the prior two years' historical data, this could mean a reduction of about $115,500 per year for local taxpayers.
2. The ability for the state to leverage additional E-rate funding is dependent on meeting the requirements established by the Federal Communications Commission and approval from the Universal Service Administrative Company (USAC).

Sponsor's Initials *Date* *Budget Director's Initials* *Date*