



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

| | | | |
|---------------|-------|---------------|--|
| Bill # | SB260 | Title: | Create school facilities subtrust within coal trust fund |
|---------------|-------|---------------|--|

| | | | |
|-------------------------|------------|----------------|---------------|
| Primary Sponsor: | Llew Jones | 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 | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| Schools Facilities Fund | \$19,830,000 | \$19,930,000 | \$20,090,000 | \$20,310,000 |
| Coal Severance Tax Permanent Fund | (\$19,830,000) | (\$19,930,000) | (\$20,090,000) | (\$20,310,000) |
| State Special Revenue Fund | \$470,000 | \$1,220,000 | \$1,940,000 | \$2,630,000 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: SB 260 creates the school facilities fund in the coal severance tax trust fund, and allocates 75% of coal severance taxes deposited in the coal severance tax bond fund in excess of the amount required for principal and interest payments to the school facilities fund.

FISCAL ANALYSIS

Assumptions:

1. This bill creates the school facilities fund in the coal severance tax trust fund. The fund is to be administered by the Department of Administration (note that while this bill establishes the school facilities fund, it does not establish a program, and accompanying guidelines by which to distribute funds. As a result, this fiscal note shows the revenue to the new fund, but it does not show commensurate expenditures from the fund).
2. The amount of 75% of coal severance taxes deposited into the coal severance tax bond fund in excess of the amount necessary to meet all the principal and interest payments on bonds payable from the coal severance tax bond fund in a year must be distributed to the new school facilities fund.

3. The school facilities fund generates interest earnings that are deposited quarterly into the school facilities account in the state special revenue fund for the purpose of funding school facility projects authorized by the legislature. Any interest earnings not deposited in the school facilities account must be retained in the school facilities fund.
4. The five-year average of the amount necessary to meet all the principal and interest payments on bonds payable from the coal severance tax bond fund is approximately \$2,000,000.
5. This bill results in a reallocation of revenue from the coal severance tax permanent fund to the school facilities fund beginning in FY 2018. As a result, the permanent fund will generate lower interest earnings than it otherwise would under current law. This reduces general fund revenue because all interest earnings from the permanent fund are deposited in the general fund.
6. The following table outlines the fiscal impact to the coal severance tax permanent fund, the school facilities fund, and the Public Employees’ Retirement System based on the provisions of SB 260. General fund and state special revenue fund impacts are presented as well.

| Fiscal Impact of SB 260 | | | | |
|--|----------------|----------------|----------------|----------------|
| Current Law | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Permanent Fund Distribution | \$19.83 | \$19.93 | \$20.09 | \$20.31 |
| Permanent Fund Balance | \$527.20 | \$547.10 | \$567.10 | \$587.30 |
| Permanent Fund Interest Earnings | \$20.45 | \$20.95 | \$21.32 | \$21.59 |
| Public Employee's Retirement | \$17.39 | \$17.89 | \$21.32 | \$21.59 |
| Proposed Law | | | | |
| Permanent Fund Distribution | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Permanent Fund Balance | \$514.77 | \$514.77 | \$514.77 | \$514.77 |
| Permanent Fund Interest Earnings | \$19.95 | \$19.71 | \$19.36 | \$18.92 |
| School Facilities Fund Distribution | \$19.83 | \$19.93 | \$20.09 | \$20.31 |
| School Facilities Fund Balance | \$19.83 | \$39.76 | \$59.84 | \$80.16 |
| School Facilities Fund Distributed Interest Earnings | \$0.47 | \$1.22 | \$1.94 | \$2.63 |
| Public Employee's Retirement | \$16.89 | \$16.64 | \$19.36 | \$18.92 |
| Fiscal Impact | | | | |
| Permanent Fund Balance | (\$12.43) | (\$32.33) | (\$52.33) | (\$72.53) |
| Permanent Fund Interest Earnings | (\$0.50) | (\$1.24) | (\$1.96) | (\$2.68) |
| General Fund Revenue | (\$0.50) | (\$1.24) | (\$1.96) | (\$2.68) |
| State Special Revenue | \$0.47 | \$1.22 | \$1.94 | \$2.63 |
| Public Employee's Retirement | (\$0.50) | (\$1.24) | (\$1.96) | (\$2.68) |

* The amount of permanent fund interest earnings transferred to PERS in FY 2018 and FY 2019 is reduced by \$3.065 million per 15-35-108(9)(b), MCA. This provision sunsets at the end of FY 2019.

7. SB 260 impacts the transfer made to the Public Employees’ Retirement System (PERS) from the general fund (15-35-108(9), MCA). The creation of the school facilities fund reduces interest earnings from the coal severance tax permanent fund. These interest earnings are deposited fully into the general fund before being transferred to PERS via a statutory appropriation. The decline in general fund revenue from reduced interest earnings will lower the general fund statutory appropriation to PERS by an equal amount.
8. This bill is effective July 1, 2017.

| | <u>FY 2018</u> <u>Difference</u> | <u>FY 2019</u> <u>Difference</u> | <u>FY 2020</u> <u>Difference</u> | <u>FY 2021</u> <u>Difference</u> |
|---|---|---|---|---|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| 15-35-108(9) PERS SA | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| TOTAL Expenditures | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |
| TOTAL Funding of Exp. | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| <u>Revenues:</u> | | | | |
| General Fund (01) | (\$500,000) | (\$1,240,000) | (\$1,960,000) | (\$2,680,000) |
| Schools Facilities Fund | \$19,830,000 | \$19,930,000 | \$20,090,000 | \$20,310,000 |
| Coal Severance Tax Perm. Fu | (\$19,830,000) | (\$19,930,000) | (\$20,090,000) | (\$20,310,000) |
| State Special Revenue (02) | \$470,000 | \$1,220,000 | \$1,940,000 | \$2,630,000 |
| TOTAL Revenues | (\$30,000) | (\$20,000) | (\$20,000) | (\$50,000) |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$470,000 | \$1,220,000 | \$1,940,000 | \$2,630,000 |

Sponsor's Initials

Date

Budget Director's Initials

Date