



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

<b>Bill #</b>	SB0307
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<b>Title:</b>	Revise K-12 school funding laws to address facilities
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<b>Primary Sponsor:</b>	Jones, Llew
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<b>Status:</b>	As Amended
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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 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**Description of fiscal impact:** SB 307 revises the purposes and uses of the state special revenue school facility and technology account, creates a school facility maintenance amount, allows up to a 10-mill permissive local levy for school maintenance and improvements, eliminates the quality school grant program, and creates a state payment to the district building reserve fund. The bill has no state fiscal impact to the state as it repurposes current funding.

### FISCAL ANALYSIS

#### Assumptions:

#### **Office of Public Instruction (OPI)**

- SB 307 proposes the trustees of a school district shall adopt a resolution no later than April 15 in FY 2017 only and no later than March 31 in FY 2018 and subsequent fiscal years and provide notice to the electors whenever the trustees intend to impose a non-voted (permissive) levy increase in the ensuing school fiscal year, in any of the following school district funds: tuition, adult education, building reserve, transportation, and bus depreciation. OPI anticipates this would create additional undeterminable local expenditures for providing notices.

2. Section 2 of the bill, specifies that calculations associated with limits and distributions determined per SB 307 would be compiled separately for elementary and high school programs of K-12 school districts.
3. Current law allows transfers between funds for improvements to school safety and security until the June 30, 2019 sunset date (20-9-236, MCA). SB 307, section 3 eliminates the sunset date and requires the transfers must be returned to the originating fund within two full school fiscal years after the funds were transferred, if not encumbered for expenditures in compliance with the law.
4. Current law requires the trustees of a school district to seek voter approval for the purpose and authorization of a building reserve fund to raise money for future construction, equipping, or enlarging of school buildings; for the purchase of land needed for school purposes; or to fund school transition costs. The fund, as proposed in SB 307, could also be funded by voted levies, non-voted levies, and transfers using subfunds to track voted and non-voted levies and transfers received and expended for school safety purposes. All funding in the building reserve fund would be tracked using subfunds within the fund, as proposed by SB 307.
5. SB 307 directs the creation of an additional and separate subfund within the building reserve fund school facility maintenance and repairs. The subfund would receive the deposit of a permissive levy not to exceed 10 mills in a fiscal year and the bill allows for deposits and transfers to the subfund as well as limiting these levies defined as the *school facility maintenance amount* per SB 307.
6. For purposes of this fiscal note, deposits include revenues other than fund balance reappropriated.
7. *School facility maintenance amount* is defined in SB 307, as the sum of \$15,000 and the product of \$100 multiplied times the district's budgeted ANB for the prior fiscal year. OPI calculates this amount in the largest school district to be \$1,195,400 and in the smallest school district to be \$15,300.
8. In situations where the imposition of the permissive 10 mills pursuant to subsection (3)(b) of section 4 is estimated by the trustees to generate an amount less than the maximum levy revenue specified in section 4(3)(b), the trustees may deposit additional funds from any lawfully available revenue source and may transfer additional funds from any lawfully available fund of the district to the subfund referenced in section 4(3)(f), up to the difference between the revenue estimated to be raised by the imposition of 10 permissive mills and the maximum levy revenue specified in section 4(3)(a).
9. District *local effort* for purposes of calculating the district eligibility for state school facility maintenance aid pursuant to 20-9-516, MCA, as amended in the bill, shall consist of the combined total of funds raised from the imposition of levying no more than 10 permissive mills and provided that 10 permissive mills have been levied, any additional funds raised from deposits and transfers in compliance with section 4(3)(a).
10. A district may not deposit a combination of deposits, transfers, permissive levies, or state support greater than the calculated *school facility maintenance amount* annually into the building reserve fund subfund created to account for the purposes of raising revenue for identified school facility maintenance projects meeting the requirements of 20-9-516(1)(b), MCA, as defined in SB 307.
11. New to this statute, the bill proposes that a district awarded a quality schools facility grant pursuant to Title 90, chapter 6, part 8, during the biennium beginning July 1, 2017, may not impose a permissive levy to the subfund in the building reserve fund during the 2019 biennium.
12. Current law allows trustees may impose a voted transition levy upon the qualified electors with the proceeds going to the building reserve fund. SB 307 directs the creation of a separate subfund within the building reserve fund for any voted transition levies.
13. The state special revenue school facility and technology account currently has no prioritization of distribution from the fund. SB 307 prioritizes distributions of appropriated funds to the state special revenue school facility and technology account as follows:
  - (a) school technology purposes as provided in 20-9-534;
  - (b) school facility maintenance aid as defined in SB 307
  - (c) State reimbursement for school facilities as provided in 20-9-371
14. SB 307, section 5(3)(a), directs the Superintendent of Public Instruction to begin distribution, as defined in this the bill, of *state school facility maintenance aid* in the 2021 biennium. Beginning in FY 2020, funds would be distributed to school districts' subfund referenced in 20-9-502(3)(a), MCA, within the district

building reserve fund as defined in this bill. These funds are subject to proration and must be distributed by the last working day in May each year.

15. The Superintendent of Public Instruction is to provide a preliminary estimate of the state school facility maintenance aid per dollar of local effort by March 1 annually and a final amount for the current school year no later than July 31.
16. OPI estimates the *local effort* amount before any additional amount of money deposited or transferred to the sub-fund for FY 2020 to be \$13,992,473 for elementary programs and \$6,627,619 for high school programs.
17. OPI estimates the *state school facility maintenance aid* to be paid from the state special revenue school facility and technology fund, should all districts in the state permissively levy any portion of the *local effort* amount in FY 2020, to be \$7,006,635 for elementary programs and \$3,015,399 for high school programs without any estimated transfers or deposits included.
18. OPI estimates the remaining local permissive levy before additional deposits and transfers for FY 2020 to be \$8,363,565 for elementary programs and \$3,777,101 for high school programs. This results in a permissive mill increase of approximately 2,410.64 mills in FY 2020.
19. The Office of Budget and Program Planning projects the current revenue stream into the school facility and technology account will not be sufficient to fund the state school facility maintenance aid program at 100%. Currently, it is anticipated the revenue to that fund for the state school facility maintenance aid would be approximately \$6.5 million per year requiring proration of the distribution of state school facility maintenance aid as allowed in the bill.
20. The prioritization of expenditures from the state special school facility and technology fund as defined in SB 307 making the state reimbursement for school facilities payment the final priority would mean that in future years there would be no funding available for this purpose.

#### **Department of Commerce (DOC)**

21. SB 307 repeals the current quality schools facility grant program in Title 90, Chapter 6, part 8, MCA, administered by the DOC in two parts to allow for possible grants to be awarded in the current, 2017 legislative session.
22. For the purposes of this fiscal note, it is assumed the Quality Schools Facility Grant program (QS) in the DOC would receive funding via HB 14 or LC2344 as defined in section 10 of the bill for the 2019 biennium. It is further assumed said program would terminate on July 1, 2019, when the program would begin to be administered by the Office of Public Instruction.
23. The FY 2019 QS administrative budget, as currently contained in HB 2 and funded from the state special revenue school facility and technology account, is approximately \$398,996 and funds 4.00 FTE. For purposes of this fiscal note, the FY 2019 administrative budget has been inflated by 1.50% to reflect the potential costs at the termination of the program in the DOC on July 1, 2019, (FY 2020).

	<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>
<b><u>Fiscal Impact:</u></b>				
FTE (DOC)	0.00	0.00	(4.00)	(4.00)
<b><u>Expenditures:</u></b>				
Personal Services (DOC)	\$0	\$0	(\$292,450)	(\$296,837)
Operating Expenses (DOC)	\$0	\$0	(\$112,531)	(\$114,219)
Local Assist (State schl facility maintenance aid)	\$0	\$0	\$6,500,000	\$6,500,000
Local Assist (Schl facility debt service)	\$0	\$0	\$0	\$0
Local Assist (Quality schls grants)	\$0	\$0	(\$6,095,019)	(\$6,088,944)
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Effect on County or Other Local Revenues or Expenditures:**

**Office of Public Instruction (OPI)**

1. The local permissive levy before additional deposits and transfers for FY 2020 may increase by up to \$12,140,666 in FY 2020 and \$12,233,309 in ensuing years.
2. SB 307 proposes the trustees of a school district shall adopt a resolution no later than April 15 in FY 2017 only and no later than March 31 in FY 2018 and subsequent fiscal years and provide notice to the electors whenever the trustees intend to impose a non-voted (permissive) levy increase in the ensuing school fiscal year, in any of the following school district funds: tuition, adult education, building reserve, transportation, bus depreciation. OPI anticipates this would create additional undeterminable local expenditures for providing notices.

_____ <i>Sponsor's Initials</i>	_____ <i>Date</i>	_____ <i>Budget Director's Initials</i>	_____ <i>Date</i>
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