



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0192

Title: Revising laws related to school major maintenance funding

Primary Sponsor: Reksten, Linda

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

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 192 revises the school district calculation for school major maintenance aid as well as clarifies the requirements for notification of increase for district permissive levies and when transfers to the building reserve may be made. There is no state fiscal impact associated with HB 192.

FISCAL ANALYSIS

Assumptions:

- Section 20-9-116, MCA, modifies the requirements for noticing increases on permissive levies in the building reserve fund under 20-9-502 & 20-9-503, MCA, to notice a resolution identifying anticipated improvements or projects defined in section 20-9-236, MCA (3).
- Section 20-9-502, MCA, describes the purpose and authorization of the building reserve fund. In 20-9-502(3)(a), MCA, districts are directed to create a sub-fund within the building reserve fund to account for revenue and expenditures associated with state major maintenance and repairs. HB 192 proposes to modify the formula for the school major maintenance amount from \$1,500 X \$100 per budget limitation ANB to \$1,500 X \$110 per budget limitation ANB.
- Section 20-9-525, MCA, is modified to remove certain ordering language as well as requirements for addressing the facilities condition inventory. Additionally, this section defines a calculation for determining

the amount of state major maintenance subsidy per local dollar of local effort. In this calculation the state effort utilizes a multiplier for increasing the amount districts could qualify to receive. The multiplier is currently set at 171%, HB 192 proposes to adjust this multiplier to 187%.

4. These modifications increase the estimated annual state cost for state major maintenance aid (SMMA) from approximately \$10.4 million to \$11.9 million, or an annual increase of \$1.5 million should all districts engage in the program to maximize the state return for SMMA. However, section 20-9-635(2)(i), MCA, appropriates \$10 million each year of the 2023 biennium. That section of law also provides that the inflation factor in 20-9-326, MCA, is to be applied in FY 2024 and beyond. If the state appropriation is not sufficient to match the amount of SMMA for which schools qualify, 20-9-525, MCA, allows the superintendent of public instruction to prorate the appropriation to qualifying schools.
5. Although the state appropriation would not be increased due to the requested changes through HB 192 the amounts of state funding and local permissive property taxes could increase for districts should the requested funding not exceed the size of the state appropriated funds or the actual revenues which materialized at the time of distribution.
6. The effective date for HB 192 is as of July 1, 2021. This requires that the adjustment of rates be modified as of the first day of FY 2022.
7. The applicability applies to notice requirements, school budgets, property tax levies, and state major maintenance aid calculations related to school fiscal years beginning on or after July 1, 2022. This requires that the calculation of state subsidy per dollar of local effort be calculated on or before March 1 of FY 2022, districts may then notice increases to permissive levies and adopt budgets for FY 2023 and state major maintenance aid payments would occur in May of FY 2023 as modified by HB 192.

Effect on County or Other Local Revenues or Expenditures:

1. Adjustments to the school district calculation for Major Maintenance Aid increases both the amount of eligible state aid to the district and the amount of local effort. This could create a minimal increase in permissive levies up to \$30,000 annually beginning in FY 2023.

<u>LER</u>	<u>1/26/21</u>	<u>KA</u>	<u>1/25/21</u>
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>