



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0553 - Revise school funding laws related to school facilities (Hertz, Greg)

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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$14,817,074	\$15,076,539	\$15,340,547	\$15,609,179
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$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: SB 553 revises laws related to school funding by eliminating the proration of debt service assistance and requiring the Superintendent of Public Instruction to request a supplemental appropriation, if necessary, to fully fund all forms of state equalization aid for schools. It is estimated debt service assistance would cost \$15.0 million per year. HB 2 and/or HB 818 currently carry state special revenue appropriation authority of up to \$15.0 million for this purpose.

FISCAL ANALYSIS

Assumptions:

- Section 20-9-346, MCA, is amended to remove language limiting the amount of fund distribution for the debt service assistance. This change would no longer limit distributions to the amount of appropriation authorized from the Montana state legislature. The current base appropriation is \$2.5 million annually.
- Section 20-9-351, MCA, or funding of deficiency in BASE aid is amended to include debt service assistance required under 20-9-370 and 20-9-371. This provides that in the event of a revenue shortfall of funding the debt service assistance program the superintendent is to request a supplemental appropriation to provide full funding of the program under the current formula and its calculations.

3. Sections 20-9-371, MCA, and 20-9-516, MCA, are amended to remove language associated with proration of distribution in association with available state special revenue and limitations due to appropriation authority.
4. Section 20-9-525, MCA, or the school major maintenance aid account formula is amended to limit transfers of excess funding from the state major maintenance state special revenue account to the school facilities and technology acquisition state special revenue account are permitted to the level of fully funding debt service assistance in that fiscal year.
5. The following table illustrates the historic level of funding needed for full funding of debt service assistance.

	2019	2020	2021	2022	2023
# of Receiving Districts	125	127	116	115	107
Debt Service Assistance	\$13,599,079	\$14,293,912	\$14,096,665	\$14,350,424	\$14,562,075

6. An average year-over-year growth rate is estimated at 1.75% and will be used for projecting FY2024 and future years.
7. At the writing of this fiscal note, HB 2 and/or HB 818 provide funding of up to \$15.0 million for Debt Service Assistance.

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assist (Debt Service GTB)	\$14,817,074	\$15,076,539	\$15,340,547	\$15,609,179
TOTAL Expenditures	<u>\$14,817,074</u>	<u>\$15,076,539</u>	<u>\$15,340,547</u>	<u>\$15,609,179</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$14,817,074	\$15,076,539	\$15,340,547	\$15,609,179
TOTAL Funding of Exp.	<u>\$14,817,074</u>	<u>\$15,076,539</u>	<u>\$15,340,547</u>	<u>\$15,609,179</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$14,817,074)	(\$15,076,539)	(\$15,340,547)	(\$15,609,179)

NO SPONSOR SIGNATURE 3/29/23 NO 3-29-23
Sponsor's Initials *Date* *Budget Director's Initials* *Date*