Fiscal Note 2023 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0404		**Title:**	Generally revise education funding relating to oil and gas distribution
Primary Sponsor:	Patelis, Jimmy		**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 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
General Fund	$929,177	$929,177	$929,177	$929,177
State Special Revenue	($929,177)	($929,177)	($929,177)	($929,177)
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	($929,177)	($929,177)	($929,177)	($929,177)
Net Impact-General Fund Balance:	($929,177)	($929,177)	($929,177)	($929,177)

Description of fiscal impact: HB 404 increases the maximum amount of oil and natural gas production tax revenue that a school district may retain. The state general fund fiscal impact of this bill would be $929,000 per year beginning in the 2023 biennium per current oil and natural gas production.

FISCAL ANALYSIS

Assumptions:

1. Under present law, school districts are allowed to retain oil and natural gas production taxes revenue under the provisions of 15-36-331 and 332, MCA, up to 130% of the district maximum general fund budget as defined in 20-9-308, MCA.
2. Present law, 20-9-310, MCA, states that the Department of Revenue will distribute any excess oil and natural gas production tax revenue not distributable to a school district in assumption #1 to the state special revenue guarantee account provided for in 20-9-622, MCA.
3. HB 404 would allow schools who receive oil and natural gas production taxes to retain an amount up to 200% of the school district maximum general fund budget.

4. In FY 2020, the most recent actual data available, only three school districts received 130% oil and natural gas production taxes allowing $1.24 million of excess oil and natural gas production taxes to be deposited to the state special revenue guarantee account. When production increases and/or oil and natural gas prices increase, additional school districts become eligible to retain excess oil and gas production taxes.
5. When oil and gas prices are up and production is strong, the adjustment to the guarantee account could be much more significant. In FY 2012, schools retained $9 million and that amount would have been $13.8 million had the 200% retention had been in place decreasing the amount of excess oil and natural gas production taxes by $4.8 million. In FY 2013, schools retained $11.5 million which would have resulted in $17.8 million at 200% retention or a reduction of excess funds of $6.3 million.
6. Based on the prescribed change in HB 404 to allow districts to retain 200% instead of the 130% of the oil and natural gas production taxes, these three schools would have been able to retain up to an additional $0.9 million in FY 2020 which would have reduced the deposit of revenue into the state special revenue guarantee account.
7. The guarantee account is the first source of revenue for K-12 BASE aid funding. A reduction in the guarantee account revenue is offset by a like increase in cost to the state general fund.
8. The increase of allowable non levy revenue at the school district level may mean additional non levy revenue in the calculation for the school district general fund budget. These districts may qualify to receive state guarantee tax base aid (GTB) however, districts are not required to estimate the receipt of oil and natural gas production taxes to the district general fund therefore, there would be no way to estimate the impact on additional GTB cost to the state.

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Fiscal Impact:				
Expenditures:				
Oil & Natural Gas Dist to schools	$929,177	$929,177	$929,177	$929,177
Transfer to Guarantee Acct (02)	($929,177)	($929,177)	($929,177)	($929,177)
TOTAL Expenditures	$0	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$929,177	$929,177	$929,177	$929,177
State Special Revenue (02)	($929,177)	($929,177)	($929,177)	($929,177)
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	($929,177)	($929,177)	($929,177)	($929,177)
TOTAL Revenues	($929,177)	($929,177)	($929,177)	($929,177)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($929,177)	($929,177)	($929,177)	($929,177)
State Special Revenue (02)	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

1. Local school districts who receive oil and natural gas production taxes would receive an additional $0.9 million in each of the coming years unless there is a change in prices and/or production which would then increase or decrease the amount of funding dependent on the prices and/or production. As production increases additional school districts become eligible for retention of these taxes.
2. Local property taxes could decrease minimally beginning in FY 2022 as a result of HB 404 and increase non levy revenue to three school districts.

		KA	2/18/21
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*