



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0373.01: Revise lottery proceeds laws to dedicate to education funding

Primary Sponsor: Eric Matthews Status: As Introduced

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☒ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$19,068,000 | \$19,068,000 | \$19,068,000 | \$19,068,000 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>(\$19,068,000)</u> | <u>(\$19,068,000)</u> | <u>(\$19,068,000)</u> | <u>(\$19,068,000)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 373 establishes a new process that will distribute excess lottery revenue greater than \$2.25 million to the Office of Public Instruction for statutorily appropriated distribution to K-12 public schools in statutorily appropriated quarterly distributions on a quality educator basis to the district's flexibility fund. The eligible uses of a school's flexibility fund are amended in HB 373. This bill reduces state general fund revenues by \$19.068 million per year.

FISCAL ANALYSIS

Assumptions

Department of Administration

1. HB 373 requires any Lottery net revenue amounts in excess of \$2.25 million in each fiscal year be transferred to the Office of Public Instruction (OPI) instead of to the general fund.
2. The first \$2.25 million of Lottery net revenue is transferred to the Montana STEM scholarship program.
3. In FY 2024, \$19.068 million of net revenue was transferred to the general fund.
4. It is assumed that net revenue in excess of \$2.25 million will be the same as it was in FY 2024, \$19.068 million, for FY 2026 through FY 2029.
5. This would result in \$19.068 million being statutorily appropriated to OPI to distribute to schools pursuant to Section 1 of HB 373.
6. The bill only changes where the net revenue is disbursed. It will have no fiscal impact on the Lottery operations budget.

Office of Public Instruction

7. HB 373 provides that lottery net revenue in excess of \$2.25 million is statutorily appropriated to OPI to be distributed quarterly on a per quality educator FTE basis to all public school districts to be distributed into the district's Flexibility Fund.

Fiscal Note Request - As Introduced

(continued)

8. HB 373 revises the uses of the Flexibility Fund to include in uses facility expansion and remodeling to address health or safety hazards and to support the removal and replacement of obsolete facilities.
9. There are 12,993.742 quality educator FTE in FY 2025 and it is anticipated that number will remain constant through FY 2029.
10. Distribution of \$19.068 million for 12,993.742 FTE would be distribute \$1,467 per FTE to K-12 public schools.

Statutory Appropriation

17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

| | Yes | No |
|--|-----|----|
| a. The money is from a continuing, reliable, and estimable source. | X | |
| b. The use of the appropriation or the expenditure occurrence is predictable and reliable. | X | |
| c. The authority exists elsewhere. | | X |
| d. An alternative appropriation method is available, practical, or effective. | | X |
| e. It appropriates state general fund money for purposes other than paying for emergency services. | X | |
| f. The money is used for general purposes. | | X |
| g. The legislature wishes to review expenditure and appropriation levels each biennium. | | X |
| h. An expenditure cap and sunset date are excluded. | X | |

Fiscal Analysis Table

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Local Assistance | \$0 | \$0 | \$0 | \$0 |
| Quality Educator Component | \$19,068,000 | \$19,068,000 | \$19,068,000 | \$19,068,000 |
| TOTAL Expenditures | \$19,068,000 | \$19,068,000 | \$19,068,000 | \$19,068,000 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$19,068,000 | \$19,068,000 | \$19,068,000 | \$19,068,000 |
| TOTAL Funding of Expenditures | \$19,068,000 | \$19,068,000 | \$19,068,000 | \$19,068,000 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | (\$19,068,000) | (\$19,068,000) | (\$19,068,000) | (\$19,068,000) |

Effect on County or Other Local Revenues or Expenditures

1. HB 373 will send \$19 million in additional funding to school districts to be distributed in the districts' flexibility fund to be used for the purposes stated in 20-9-543, MCA, including to address health or safety hazards as added in the bill.

Technical Concerns**Office of Budget and Program Planning**

1. The statutory appropriation in Section 4 does not indicate which fund the appropriation should come from. For purposes of this fiscal note, it is shown as expended from the general fund. As the bill is currently written, it could also be shown to be expended from the Lottery proprietary fund and an associated reduction in revenue to the general fund. Either scenario would result in the same fiscal impact to the general fund. However, the intent should be clarified in the bill.

Office of Public Instruction

2. Districts will not have budget authority to spend the money deposited into the flexibility fund as described in this bill. The Flexibility Fund is a budgeted fund with a set budget limit. To spend the money the district would have to pass a budget amendment or allow the funds to be re-appropriated the following year and set a higher budget to gain authority.



Sponsor's Initials

2/7/25

Date



Budget Director's Initials

2/6/2025

Date